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NEWS SUMMARY

GENERAL

CBI rift with Thatcher grows

The rift between the Government and industry over the state of the economy is putting the Prime Minister's closest supporters in the Cabinet increasingly on the defensive.

Hardliners in the Cabinet relied at the weekend to support Chancellor Sir Geoffrey Howe's determination not to introduce a mini-budget, amid signs that the CBI is likely to follow its gloomy economic report last week with concerted pressure for a reduction in the autumn. Details Back Page, Midlands in Recession Back Page.

SA compromise

The South African Government may be willing to compromise on its decision to cede part of the KwaZulu tribal homeland to Swaziland. Page 2

Detention death

Ernest Depale, 21, a black detainee held under South Africa's Internal Security Act was found hanged in his cell at Johannesburg Police Headquarters.

Hunger vigil

Mrs Donna Hartman, the wife of the U.S. Ambassador to Moscow, visited Soviet hunger striker Yuri Baloyev for the third time to try to persuade him to end his 35-day fast for the right to emigrate.

Jobless fast

Three Greek graduates who passed civil service examinations but never received appointments completed the 50th day of a hunger strike intended to pressure the socialist government into finding them jobs.

Church's assets

Almost four years after the ritual deaths of the Rev Jim Jones and hundreds of his followers in Guyana, the People's Temple's \$5m assets will be shared by 600 victims and relatives.

Tree campaign

The people of Peking have planted 2.7m trees this summer in the Government's campaign to turn the dry and dusty capital into a garden city.

Boat deaths

About 300 people are believed to have drowned when an overloaded boat sank in the Straits of Makassar off Indonesia last week. The boat, which had a capacity for 60 passengers, was carrying 400.

Ulster questioning

A man who had been held by police investigating last month's provisional IRA bombings in London was being questioned by Ulster detectives, apparently in connection with a murder inquiry.

Coach crash

Thirteen people were injured, one seriously, when a coach carrying 37 members of the Leeds Post Office Rambling Association crashed near Harrogate at the weekend.

Pig liberation

Compassion in World Farming, an umbrella organisation for several animal welfare groups, is to launch a nationwide campaign next month against the factory farming of pigs.

Briefly...

Several people have now died as a result of a textile factory fire in northern Tanzania.

West German grand prix at Hockenheim was won by Patrick Tambay (Ferrari, France).

BUSINESS

Texas energy bank rescued

U.S. BANK regulators have arranged for Abilene National Bank in Texas to be taken over by Mercantile Texas Corporation, one of the state's biggest banks. Abilene National lent heavily to energy companies and was hit by the decline in oil prices and by concern about energy-lending banks after the collapse of Penn Square Bank. Back Page

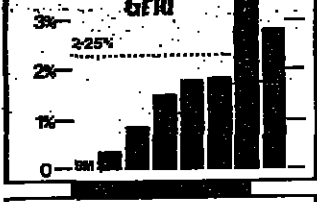
NUOVO Banco Ambrosiano

opens for business today with starting capital of £800m (£250m) provided by seven banks. Page 18

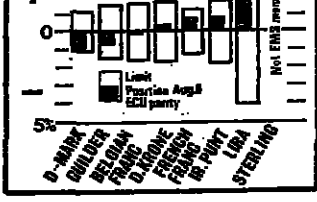
THERE was little or no

positional change within the European Monetary System last week. Interest rates tended to ease a little, but further cuts will probably depend on the attitude of the Bundesbank at this week's meeting of the central council. Here, there could be a cut in the Lombard rate, although recent dollar strength has brought this more into question. However, the Bank of France cut some domestic interest rates, while the Belgian authorities trimmed 1 point off short-term Treasury bill rates. The Italian lira remained the most improved currency within the system, and the D-mark was again the weakest member, although all currencies traded comfortably within their divergence limits.

EMS Aug 6, 1982



ECU DIVERGENCE



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weekly average of the central bank's cross rates from which no currency (except the lira) may move more than 2.25% from the central rate. The lower chart gives the 'central rate' against the European Currency Unit (ECU) itself a basket of European currencies.

MEXICO would have had

to default on its \$46m foreign debt but for its effective devaluation of the peso and partial imposition of exchange controls, said President Jose Lopez Portillo. Page 2

AIRLINES' involved in

'illegal bucket shop' ticket deals should face sanctions, but there should be a new range of bona fide discount fares, said the International Air Transport Association. Back Page

ICI has deferred plans to

build a \$100m-plus methanol plant on Tees-side.

INTERIG, a new company, is

to design, build, test and lease a type of oil production platform which could develop small, marginally economic fields. Back Page

CITIES SERVICE shares are

expected to fall heavily on Wall Street today following the withdrawal of Gulf Oil's \$3.9bn bid. Page 18

BR and unions have agreed

there will be no compulsory redundancies among drivers as a result of flexible rostering. Page 5

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Israeli Minister dashes Beirut pact hopes

BY DAVID LENNON IN TEL AVIV AND NORA BOUSTANY IN BEIRUT

HOPES that a peaceful agreement to resolve the crisis in Beirut might be at hand appeared dashed last night by General Ariel Sharon, the Israeli Defence Minister, who said: "There is no agreement, no arrangement" for the peaceful evacuation of the Palestinian fighters from the Lebanese capital.

After a three-hour meeting in Beirut with Mr Philip Habib, the U.S. special mediator, and as sporadic skirmishing between the Israelis and the besieged members of the Palestine Liberation Organisation (PLO) continued, Gen Sharon said that the main problem was that no Arab country, apart from Jordan, was willing to give the guerrillas sanctuary.

Jordan would only accept a small number. The majority had nowhere to go, so it was impossible to talk about there being a plan to evacuate the PLO, the minister said.

At the same time, he said, "the terrorists are on the verge of being uprooted from Beirut one way or another."

The Palestinian leadership is widely thought in Beirut to have agreed at last to leave the city. Although the precise details of the deployment of a multinational force are not known, it is believed that a few PLO fighters would leave, pending the arrival of the first contingent—probably French paratroopers—of a force which would include U.S. troops. The French soldiers being in place, the majority of the PLO would then withdraw.

The official Beirut radio carried reports claiming that a list of thousands of names of Palestinian guerrillas had been prepared and handed to Mr Habib.

Gen Sharon is known to be the main advocate in the Israeli Cabinet of a military, rather than a diplomatic, solution to the two-month-old siege of Beirut.

The Israeli Cabinet appeared, however, to have concluded its marathon five-hour session yesterday divided over the plan for evacuation, not with standing Gen Sharon's later statements after he met Mr Habib.

Mr Menachem Begin, the Israeli Prime Minister, is thought to have spoken in Cabinet in favour of the diplomatic process. Responding to

an urgent message from Mr George Shultz, the U.S. Secretary of State, Mr Begin told him that Israel would be willing to permit a multinational force to enter Beirut after most of the PLO fighters had left. "This was seen as a move part-way towards the proposal

by Mr Habib, who has suggested that some PLO forces leave before the entry of the international troops and that others depart afterwards.

However, the sweetness and light emanating from the Prime Minister's office were not forthcoming from the Defence Ministry. Even before Gen Sharon's remarks, which followed the meeting with Mr Habib, an unnamed "official" believed to be General Sharon, described the latest talks about PLO agreement to evacuate as a "fraud". He accused Mr Habib of deceiving both Israel and the U.S. about PLO intentions.

He said that, by endorsing such a plan, the American envoy was seeking, in effect, to create a situation in which only a few hundred Palestinian fighters would leave the Lebanese capital while the bulk of the PLO forces would remain, sheltering behind the multinational force.

The PLO leaders are widely thought to believe that to

attempt to withdraw without a protective screen between their forces and the Israelis would be tantamount to invitation of a massacre by the Israelis. Among Palestinians, it is believed that Mr Habib has personally accepted that most of the Palestinians probably cannot withdraw without a multinational force in place.

The fact that France might head the multinational force appears to have enraged Gen Sharon, who believes that this is another attempt to save the PLO from total evacuation or destruction.

In his message to the Secretary of State, Mr Begin did say that Israel would not accept French troops in Beirut without prior agreement from Jerusalem.

As though to confirm Israel's determination on this point, there were reports yesterday that Israeli troops had taken up positions near Jounieh, north of Beirut, to prevent a landing by French paratroopers.

French troops stand by

French troops from regiments trained for quick deployment are standing by to take part in an international peace-keeping force in Beirut.

Jordan said it would take some of the Palestinian guerrillas besieged in West Beirut but did not give any numbers.

In West Beirut there is little doubt among observers that the PLO is now sincere in its declared willingness to remove its forces from Beirut despite two months of

bagging.

Mr Moshe Arens, the Israeli ambassador to Washington, expressed concern at the participation of French troops in any peace-keeping force. He did not have "total confidence" in French objectives, he said.

President Reagan has postponed a holiday in California, due to start on Wednesday, partly as a result of the continuing tension. The main reason, however, is his desire to lobby Congress on the U.S. Budget.

NHS action goes ahead despite Fowler criticism

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE Government yesterday launched a strong attack on the industrial action in the National Health Service which today enters its most prominent phase with five days of intensified action aimed at reducing all hospitals to accident and emergency services only.

The criticism of the health workers' pay campaign took a new form when Mr Norman Fowler, Social Services Secretary, gave fresh figures which he said showed the real impact of the industrial action had on patients.

Mr Fowler said that the estimates, based on information provided by health authorities over the past few weeks, showed that as a result of the industrial action:

- Hospital waiting lists in England had increased by about 65,000.
- Around 60,000 operations in England have been postponed or cancelled.
- About 75,000 out-patient appointments have been postponed.

According to Mr Fowler, these figures show "once more how false the claim is that industrial action does not affect patients. Industrial action is affecting patients, and five days of further action will have even worse effects."

Mr Fowler did not believe that the new round of industrial action for such a lengthy period could be justified. He said: "I very much hope that Health Service staff will continue to work today and that their unions return to negotiations."

He repeated that the current offers—71 per cent for nurses, with 6 per cent for most other workers, at a total cost of £400m—were final. He said: "There is no more money for further improvement."

However, health service unions were critical of Mr Fowler's figures. The National Union of Public Employees said that government cuts in NHS funding, forcing some hospitals or their departments to close, were having a much worse effect on patient care than the industrial action.

The Government's new figures are likely to provoke a further row with the unions after the dispute between the two sides over the pay figures used by the Department of Health and Social Security in national newspaper advertisements last week.

Even the moderate, non-TUC Royal College of Nursing was critical of the advertisements. Miss Gillian Sanford, RCN deputy general secretary, described them as "grossly misleading," and said the pay figures were "inflated" by payments for special duties which many nurses did not do.

Mr Fowler, in a radio interview yesterday, defended the figures, though he said they had been presented in a way in which the public would understand them.

National newspaper employers seem likely to seek an injunction restraining print unions from taking action in support of the NHS workers if they pursue their threat to halt all newspaper production on Tuesday night.

Fleet Street electricians, who are also threatening to stop work tomorrow, are meeting tonight, though there were some suggestions yesterday of an intervention against the action by Mr Frank Chapple, general secretary of the Electrical and Plumbing Trades Union.

While both the Fleet Street electricians and Sogat '82 branch have gone further than the previous tactic of seeking space in newspapers for a statement in support of the NHS workers, the National Graphical Association is pressing for newspapers to run a TUC statement on Tuesday—the same day as the papers are due to be stopped.

The prospect of the NGA joining the action is raised in a circular from Mr Joe Wade, NGA general secretary, which states: "If there is a refusal on the part of the management of the national newspaper to publish the statement, members are to be instructed that they are not to co-operate with publishing the newspaper on the day in question."

In the NHS dispute itself, many hospitals will be on strike this week, and the unions predict that the majority will be reduced to accident and emergency-only cover.

Meetings and rallies across the country throughout the week will culminate on Friday with a demonstration in Whitehall and the presentation of a letter by nurses and other NHS workers in support of their case to the Prime Minister at 10, Downing Street.

EEC looks at US threat to steel pact

By Our Foreign Staff

EUROPEAN COMMISSION officials were yesterday attempting to assess the threat to the new EEC-U.S. steel pact posed by the rejection of the deal by Mr David Roderick, chairman of U.S. Steel.

The export restraint agreement, which effectively cuts European steel shipments to the U.S. by 10 per cent from present levels until the end of 1985, was dismissed by Mr Roderick as "neither fair nor equitable."

Brussels' efforts to defuse the transatlantic steel dispute have now been thrown into confusion.

In addition to being an invitation to other leading American steelmakers to veto the deal struck last week between the European Commission and the Reagan Administration, the U.S. Steel rejection makes it less likely that the major EEC steel producers will this week be able to agree concerted cutbacks, although these are crucial to any overall settlement.

Viscount Etienne Davignon, the EEC Industry Commissioner, said at the weekend that September 15 was the "ultimate deadline" for approval of the agreement which seeks to settle the dispute over cheap European steel exports. He said the Community had not

Pertini bids to form Italian government

BY RUPERT CORNWELL IN ROME

PRESIDENT Sandro Pertini today starts what promises to be a particularly difficult round of consultations to form a new Italian government after the elections this autumn. 18 months before they constitutionally fall due.

The fate of the first administration in 35 years not headed by a Christian Democrat was sealed on Saturday when Sig. Giovanni Spadolini, leader of the Republican Party and prime minister for the last 13 months, presented the resignation of his five-party coalition.

Its collapse was inevitable when the Socialists, the second largest member party, endorsed the resignation en bloc of their seven Cabinet ministers, following a parliamentary defeat last Wednesday.

Two options face the president: either the formation of a new coalition along the lines of the outgoing administration, or the dissolution of parliament.

The president has said he will do all in his power to avoid new elections, and most other parties, in public at least, support him.

But the Socialists, confident of a strong showing at the polls, are talking openly of going to the country. Sig. Rino Formica, the Socialist Finance Minister, declared at the weekend that the paralysis of a 45 to 70 day

election campaign was preferable to the extension of a legislature "no longer capable of governing."

After the first formal round of discussion, the president should be ready by mid-week to name a prime minister designate. According to convention, his choice is likely to fall upon the outgoing prime minister, allowing Sig. Spadolini first chance to succeed himself.

Should he fail, it is expected that Sig. Pertini will name a leading Christian Democrat. Beyond that, the prospect of elections looms large.

Both largest parties, the Christian Democrats and Communists, are anxious to avoid an electoral battle at this stage; the former because Sig. Ciriaco De Mita, leader for just three months, is trying to push through a major internal reorganisation while the Communists are still in some disarray following the Polish crisis and January's rift with Moscow announced by Sig. Enrico Berlinguer, the PCI leader.

Both trade unions, anxious to press ahead with new wage contract negotiations, and industry are alarmed by the political vacuum and prospects of elections.

Sig. Vittorio Merloni, the head of the Christian Democrats, said in an editorial comment, Page 14

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OVERSEAS NEWS

S. Africa may temper Kwazulu deal

BY BERNARD SIMON IN JOHANNESBURG

THE South African Government may be willing to compromise on its controversial decision to cede a part of the Kwazulu tribal homeland to Swaziland.

According to weekend Press reports, Pretoria has agreed to appoint a seven-man joint commission of South African and Kwazulu Government representatives to investigate the land issue.

The commission proposal was reportedly discussed at a meeting in Pretoria last week between the Zulu monarch, King Goodwill Zwelithini and South Africa's Prime Minister, Mr. P. W. Botha.

The King said he was satisfied with the outcome of the talks but no details were disclosed.

South Africa's decision to go

ahead with the transfer of the Ingwavuma district to Swaziland has been widely criticised both in and outside the country. The Zulu leader, Chief Gatsha Buthelezi has warned of widespread violence if the deal goes ahead.

One possible compromise being mentioned is that, instead of transferring the whole of the Ingwavuma region to Swaziland, South Africa would cede only a narrow corridor on the Mozambican border, thereby giving Swaziland access to the sea.

A settlement of the Ingwavuma issue would not, however, solve the issue of the KwaNtleni "homeland" in the Eastern Transvaal, which Pretoria has said it also intends handing over to the Swazis.

Mr. Jobo Kampeeta, Lesotho

Minister of Works, was assassinated on Saturday in an ambush near his home in the northern part of the country.

Two other people were also killed in the incident, the latest in a mounting wave of violence directed against Chief Leabua Jonathan's Government.

Chief Jonathan's country residence was attacked by gunmen last month.

The attacks were probably mounted by the Lesotho Liberation Army (LLA), military wing of the banned Basuto Land Congress Party (BCP) which aims to overthrow Chief Jonathan's Government.

Chief Jonathan annulled an election in 1970 when it appeared that the BCP had won a majority of the votes.

Meanwhile, another South

African security detainee, Mr. Ernest Depale, has died in police custody, the head of the Security Police, Gen. Johan Coetzee said yesterday.

Gen. Coetzee said Mr. Depale had hanged himself in his cell at police headquarters in Johannesburg, the same building where Dr. Neil Aggett, a trade union leader, died in detention last January.

According to Gen. Coetzee, Mr. Depale had made a confession to a magistrate shortly before his death.

About 50 people have died in police custody in the past 15 years. With the exception of Dr. Aggett, all have been black.

An inquest into Dr. Aggett's death will be resumed in a Johannesburg magistrates court next month.

Argentina confirms credit move

By Jimmy Burns in Buenos Aires

ARGENTINA has again declared its intention of renegotiating part of the \$15bn (\$8.7bn) payments due on its external debt of \$36.6bn by the end of this year.

But there is still no sign emerging from Buenos Aires to dampen fears that Argentina might default on its debt in the face of the economic sanctions still maintained by Britain.

Sr Domingo Cavallo, the governor of the Argentine central bank confirmed at a weekend Press conference that Argentina was seeking new commercial credits from international banks rather than a standby credit from the IMF.

"But the return to Argentina to the international money markets will depend on the degree of understanding we find among our creditors," Sr Cavallo said.

Argentina has, however, reportedly been told by international bankers that no formal negotiations on fresh credits can get under way as long as the UK assets freeze, imposed at the start of the Falklands crisis, remains in force.

Sr Cavallo estimated that Argentina could repay about half of the \$2.53bn of interest due on its total foreign debt in the second half of this year without international assistance. The central bank is predicting a second half trade surplus of \$1.3bn. Sr Cavallo is forecasting a trade surplus of \$3.12bn for the whole of 1982. The country's total reserves at the end of June are put at \$3.69bn.

Argentina is also due to repay \$10.23bn of borrowed capital and \$2.31bn of debt arrears by December 31.

Talks on Namibia

The six "front-line" African leaders have called on Western nations trying to find an acceptable formula for the independence of Namibia (South-West Africa) to stop raising the issue of Cuban troops in Angola. Renter reports from Tripoli.

Tanzanian Foreign Minister Salim Mohamed Salim, quoting the leaders at the weekend, said the prospects for negotiations were "bright" but said the question of Cuban troops was not related to a call by the Security Council for the independence of Namibia.

French uranium offer

M. Claude Cheysson, French Foreign Minister, yesterday expressed his country's willingness to supply the U.S.-built nuclear power station at Tarapur, in the Indian state of Maharashtra, with enriched uranium without insisting on full international inspection of all India's nuclear facilities. K. K. Sharma writes from New Delhi.

The French supply of enriched uranium was cleared during Prime Minister Indira Gandhi's recent visit to the U.S. following Washington's refusal to continue shipments, despite a 30-year agreement, because of its policy on nuclear non-proliferation.

Surrender deadline

Kenya's Defence Department has reported that a "substantial" number of air force personnel have not heeded the government order to surrender following last week's coup attempt. It has given them until 6pm today to give themselves up. AP reports from Nairobi.

Tokyo peace bid

TWO senior Japanese officials yesterday left for Peking to try to settle the row over new Japanese school textbooks glossing over the country's war record. Renter reports from Tokyo.

Summit switch call

Cuban President Fidel Castro, current head of the non-aligned movement, has called for a meeting of foreign ministers this month to discuss moving the movement's September summit, due to be held in Baghdad, Renter reports from Havana.

Refugees stream out of West Beirut 'ghost town'

BY NORA BOUSTANY IN BEIRUT

AIDA Hannoun, and her teenage daughter, Rana, dazed and hurt, dragged their suitcases as they arrived at the Galerie Seaman crossing from West Beirut yesterday.

Breathless, having walked under Beirut's scorching August sun for half an hour, Mrs. Hannoun said she had left her home near the Bristol Hotel off Verdun Street in West Beirut because buildings near it were bombed and there is no water, no food, no electricity.

"It's like a ghost town," she added, gasping for breath. A stream of refugees, in no better condition, followed her. Helmeted military police with red armbands from the Lebanese forces, an alliance of Christian militias, checked luggage and travel documents at the strictly supervised exit from West Beirut.

Residents had started arriving before orders were given to open the crossing to traffic so bundles of belongings, suitcases, television sets and mattresses had to be hand carried.

Eager taxi drivers clamoured around, grabbing the baggage of potential passengers before being asked. The local taxi business is thriving. Fares have in-

creased tenfold. The usual rate of L60 per passenger to the port city of Sidon has now jumped to L60, for a shared ride.

The military police, in no cheerful mood, nervously shooed residents away from the rubber tyre demarcation lines along the road, blocking entry into West Beirut.

Galerie Seaman was the only way out of that beleaguered part of the city yesterday. A museum, located on the border of the narrow Israeli-held no man's land strip and the Beirut harbour, was closed for the day.

Motorists were ordered to park some 200 yards east of Galerie Seaman—in fear of car bombs where crowds of people were gathered. Opposite the checkpoint, about 100 people waited in the sweltering heat for friends and relatives to arrive.

Most Lebanese in the besieged capital hoped to join families or friends residing in the mountains around Beirut or in south Lebanese villages.

Hajieh Shukr, 44, a widow and mother of four, however, said she was heading for Baalbek, where she heard there were refugee centres. Hajieh's home in Hay al Sullom, bordering the

Palestinian refugee camps, has been destroyed. "I used to work in homes as a charwoman, but now all the families who employed me have left. How am I going to feed my children?"

Most refugees said they came from Lailaki, Chiah or Hay al Sullom, all areas on the south eastern outskirts of the city, in the line of fire of Israeli gunners and Palestinian guerrillas entrenched north of Beirut airport.

Several families were running away from Sanayeh, where Israeli jets bombed an eight-storey building last Friday, killing and wounding an estimated 150 people.

Most of the guerrillas had left the area and moved on but old people with no means to travel, had stayed behind, they said. Clutching nylon bags and ushering a young mother with a baby in her arms, Elwan Hussein said he was going home to Iraq, but would first stop in Damascus. When approached, the young mother trembled and hid her face. "I am going nowhere, I am from Jordan," she stammered.

"Please let me take care of my baby," she pleaded. Her eagerness and hesitation were not surprising. She had a Palestinian accent.

PLO fighters ready to pull out

BY JIM MUIR IN WEST BEIRUT

THERE CAN be little doubt that over the past two months indirect negotiations with Mr. Philip Habib, the special U.S. envoy, which have made the present evacuation plan a real possibility — provided the Israelis can be induced to accept the PLO's one cardinal condition.

That is that international forces should be on hand during the Palestinian withdrawal, or most of it, for fear of a massacre at Israeli hands when the fighters pull back and regroup.

The PLO's sincerity was attested in a bitter editorial pub-

lished in its own internal newspaper, *Filastin al-Thawra*, yesterday. It implied the strongest censure of Syria, the Arabs and the Russians, for failing to go beyond empty words and crocodile tears, in their support for the Palestinians.

We took the decision to withdraw militarily from Beirut because, after the blatant Arab fecklessness, the destruction of Beirut over the heads of half a million Muslims was no longer just a possibility, it was an established fact, the paper wrote.

Mexican peso devaluation

'averted default'

By Ronald Buchanan in Mexico City

MEXICO WOULD have had to default on its \$80bn (\$48bn) foreign debt but for last week's official devaluation of the peso and partial imposition of exchange controls. President Jose Lopez Portillo, said at the weekend.

Sr Lopez Portillo was speaking at a specially convened meeting of the cabinet, labour and business leaders, and the editors of national newspapers.

The meeting was an indication of the gravity of the financial crisis. Sr Lopez Portillo admitted that an earlier devaluation, in mid-February, "didn't solve the problem; on the contrary it made it worse" by unleashing a wages-prices spiral.

The new devaluation—a free float which saw the peso drop at first by 30 per cent, against the dollar—was accompanied by the introduction of a Government-supported preferential rate on essential imports.

Sr Lopez Portillo defended this breach of Mexico's tradition of exchange freedom on the grounds of national interest. The Government, he said, could not continue to subsidise the purchase of dollars for non-essential purposes. Citizens would still be free to buy property abroad, he said, "but let their dollars cost them what the imprudence of the Mexicans set as the price."

The President traced the most immediate problem back to the announcement, a week ago, of sharp increases in the controlled prices of basic goods, such as petrol and tortillas. Fears of an inflationary spiral has led to a flood of "hundreds of millions of dollars out of the country in just a handful of days."

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WORLD TRADE NEWS

U.S. disappointed at progress in opening up Japanese market

BY RICHARD HANSON IN TOKYO

A TOP U.S. trade official, after four days of talks in Tokyo, said yesterday that very few new market openings were apparent, and few trade problems completely resolved, since the Japanese Government announced a second import liberalisation package in May.

Mr James M. Murphy, Jr., assistant U.S. special trade representative, said, however, that the "dialogue" with the Japanese Government on implementing various parts of the trade package was being taken very "seriously".

Changes in Japan's customs clearance procedures, part of an earlier trade package by Japan, was one example of the "bright spots" of progress over the past year or so.

The U.S. is unhappy with the slow progress in resolving other trade problems. The issue of cigarette imports was given as one example.

The strongest criticism, however, was reserved for Japanese behaviour in the area of industry cartels and import associations which U.S. officials say present barriers to goods from outside the country.

U.S. deputy assistant Secretary of Commerce, Mr Clyde Prestowitz, expressed strong dis-

approval of the way the Japanese Government enforces anti-monopoly laws. The Japanese Fair Trade Commission (FTC) has the "right" and responsibility to enforce these laws.

Specifically, the U.S. complained about proposed import associations for the petrochemical industry.

Import associations for industries such as paper and pulp and timber also came under fire.

Mr Murphy urged the Japanese Government to revise a law which allows depressed industries to form cartels.

Japan has, in various forms, about 490 cartels, the U.S. side complained.

The U.S. delegation is a working committee of the U.S.-Japan subcommittee on trade, which was established last year. Mr Murphy said the mission would visit Japan frequently, perhaps each month, to continue talks on implementing parts of the import promotion package and other unresolved trade problems.

In October, the two sides will begin an important round of negotiations on liberalising the import of beef and oranges. These, and other agricultural issues, have in recent months become the focus of the simmering bilateral trade dispute.

Airbus deliveries to Libya delayed

By David White in Paris

MAINTENANCE OF a U.S. embargo on supplies of civil aviation equipment to Libya is holding up deliveries on an Airbus contract estimated to be worth some \$600m (\$320m).

Airbus Industrie, the joint venture based at Toulouse, has been particularly secretive about the Libyan order and has never published target delivery dates.

However, trade reports at the end of last year, when news of the contract first leaked out, said that the first two aircraft were scheduled for delivery in June this year.

The order, which has since been listed in Airbus Industrie's official sales tables, involves six A300 Airbuses and four of the smaller A310 aircraft, which are not due for certification until March next year. All are firm orders.

According to the reports, the remaining aircraft were to have been delivered at a rate of two per year to Libyan Arab Airlines.

Engines for both the A300 and the A310 are supplied by either Pratt and Whitney or General Electric of the U.S. There is no other alternative engine.

The partners in the building of the Airbus are Aerospatiale, the State-owned French concern headed by President Mitterrand's brother, General Jacques Mitterrand; Messerschmitt-Bölkow-Blohm of West Germany through Deutsche Airbus; British Aerospace; and the Spanish concern CASA. Fokker of Holland and Belarbus of Belgium are associate partners.

Philippines wooed by Moscow

By Our Manila Correspondent

THE Soviet Union, after years of trying, is on the verge of gaining a toe hold in Philippine industry and investments.

Manila's Board of Investments (BOI) has cleared the way for the Soviet Union to begin feasibility studies for a 1m ton coal-fired cement plant to be built in the tiny island of Semirara, off Negros Island in Central Philippines.

The project holds out the prospect of a barter arrangement whereby the Philippines could pay for the plant with coconut oil, an attractive scheme at a time when the country is finding difficulty in getting foreign loans and its commodity exports are depressed.

The Soviet entry means that a similar plant with the same capacity planned between a British company, Philip Brothers, and a local conglomerate, Construction and Development Corporation of the Philippines (CDCP), has dropped a notch down, a board official said.

The British-Philippine joint venture Negros Cement Company, initially estimated at \$68.8m (\$34.4m) has been asked to delay the project by one year till 1986 to give the Soviet Union a headstart, the board official added.

The board indicated that the decision to let the Soviet Union in was a political decision.

The financing terms are still to be negotiated with a Soviet team this month, Mr Roberto Ongpin, the Minister for Trade and Industry, announced.

The Soviet entry, however, is being treated with great caution, mainly because of security considerations.

The Philippines, a close ally of the U.S. which maintains two large bases, has been resisting Soviet advances for closer commercial ties for years.

On the state of Soviet technology, Mr Ongpin was quoted as saying that its cement production capabilities were "quite adequate".

He expressed confidence that the Philippines, which has long been a cement producer, has the technology to double-check the Soviet-designed plant.

It was on the strength of security objections that the Soviet Union was first bid to build a 300 MW coal-fired power plant in Batangas province, south of Manila. It was awarded to Marubeni of Japan.

Board officials said the power plant would entail Soviet technicians staying in the country for at least five years.

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Paul Chesseright looks at the likely EEC challenge to Reagan's controls

Pipeline embargo prompts legal misgivings

THE EEC's legal challenge to the Reagan Administration's embargo on supplies for the Siberia-West Europe pipeline chimed with an internal debate which has been taking place within the U.S.

U.S. lawyers, in and outside the Reagan Administration, have expressed misgivings about the legality of the embargo, not only in terms of the conflicts involved with European powers, but in terms of its consistency with U.S. law.

Some of these misgivings, marshalled into legal argument with the appropriate citing of precedents, will be used by the EEC when, probably later this week, it sends to the Commerce Department in Washington a firmly worded critique of the embargo.

The Reagan Administration's legal vehicle for the imposition of the embargo is the Export Administration Act 1979.

The policy written into the Act is that there should be controls on U.S. exports only when exports make a military contribution to another country that could affect U.S. security and when controls are necessary to further U.S. foreign policy.

This opens the way in the Act

to provisions for the grant of export licences and the steps necessary for the Secretary of Commerce to take in the imposition of national security or foreign policy controls.

The pipeline embargo was imposed as a foreign policy control. In its two stages, the embargo has extended the list of oil and gas equipment and technical data available for export to the Soviet Union. It has expanded the export and re-export control regulations to apply to U.S.-owned or controlled foreign firms. It has extended control to U.S. licensed products.

Expectations

So the question has been immediately raised as to the validity of contracts signed by European companies, like John Brown Engineering of Clydebank, to use U.S. technology and to buy goods from the U.S. for onward transmission to the Soviet Union. The contracts were in place before the Reagan Administration imposed the embargo.

Mr Douglas Rosenthal, a

former senior official of the U.S. Justice Department, noted to the Senate Judiciary Committee last March that contract provisions are construed in terms of the reasonable expectations of the contracting parties.

But many U.S. export contracts have in them, to protect U.S. sellers, a provision that the recipient of the goods or technology will abide by the U.S. export and re-export regulations.

Mr Rosenthal suggested the idea of the U.S. licensor having a perpetual veto over future use of the technology in anticipation of possible future export controls is dubious.

"It is even more doubtful that such a private contractual right by itself can validate, as a matter of law, any new, not easily anticipated, U.S. controls over the foreign licensee."

But the EEC will take this point further. In its comments on the embargo to the Commerce Department, it will argue that insofar as such terms of contract are operative, they work as a matter of civil or contract law.

This does not mean, the EEC

effect of extending U.S. sovereignty outside the U.S. Sovereignty is not negotiable.

In turn this strikes into the heart of the argument between the U.S. and the European powers with contracts for the pipeline affected by the embargo. This is the degree to which the U.S. can legitimately extend its jurisdiction to control economic activity and policy outside its borders.

Consequences

"Congressional intent with respect to proper exercise of jurisdiction by the executive branch (of the U.S. Government) is not crystal clear," said Mr Rosenthal with references to the Export Administration Act. But Congress did not write a blank cheque.

Congress did not say that U.S. law could be applied regardless of the consequences, regardless of whether the laws of other nations would be overridden, and regardless of what U.S. law would say if the situation was reversed, Mr Rosenthal observed.

His argument was that use

of the Act, when it affected other nations, needed to be consistent with "the conflict of laws principle of jurisdiction, applied by U.S. courts when U.S. extraterritorial enforcement is sought in litigated cases."

This is a reference to the 1976 Timberlane case judgment. It said that the national interests of sovereign powers had to be balanced. Put another way, the U.S. should not seek to exercise its laws, outside its borders, unless its interests outweighed those of the foreign powers involved.

In the pipeline case, France, Germany, Italy and the UK—the countries most affected by the U.S. embargo—would inevitably argue that their interests with some \$50m of business at stake, not to speak of gas supply contracts, are more closely involved than those of the U.S.

They will also note, like Mr Rosenthal, that the foreign boycott provisions of the Export Administration Act forbid those under U.S. jurisdiction to comply with the foreign export controls of nations seeking to implement foreign policy at U.S. expense.

SHIPPING REPORT

Market suffers summer slump

BY ANDREW FISHER

THE SHIPPING world is going through a bad touch of summer blues. The trouble is that the same was true of last year and no improvement seems in sight.

Weekly shipbrokers' reports have long made for some fairly dismal reading, not the sort of stuff to set you up for the weekend.

The latest batch is no excep-

tion. Galbraith Wrightson, talking about last week's tanker market, said: "As things are today, it looks as though the patient now needs the 'kiss of life' to enable it to pull through."

With the summer holiday season in full swing, trading has been slack in a market which has already suffered long and painfully from low charter

ing rates.

Galbraith said the marked difference in rates between Kharg Island, affected by Iran-Iraq hostilities and thus commanding a premium as insurance rates have risen, and other Gulf ports remained.

Dry cargo rates, which have slumped recently from already low levels, showed signs of stabilising.

World Economic Indicators

	RETAIL PRICES (1975=100)				% change over previous year
	June '82	May '82	Apr. '82	June '81	
UK	239.5	238.9	237.2	219.4	9.2
W. Germany	136.7	135.3	134.5	129.2	5.8
France	208.9	207.4	205.8	184.0	13.5
Italy	292.2	289.4	286.2	253.8	15.1
Netherlands	152.8	152.5	152.1	143.5	6.5
Belgium	158.8	157.4	156.0	144.6	9.9
U.S.	178.1	176.3	175.6	166.8	6.8
Japan	147.1	146.0	145.7	143.3	2.7

Source (except UK): Eurostat

Export credit subsidy cut by fall in interest rates

BY PAUL CHEESERIGHT

GRADUAL but significant savings of public money used to subsidise fixed rate export finance—about £10m over the last two years—have been fore-shadowed by the downward movement of interest rates.

This movement has taken place as the international guidelines for export credit interest rates have moved upwards, thus narrowing the gap in costs to be met by the Treasury through the Export Credits Guarantee Department (ECGD).

The interest rate paid by banks to obtain funds for export finance averaged 12.143 per cent for the period July 19 to August 3, according to ECGD which published last week for the first time a new reference rate.

The reference rate will be calculated each month on the basis of the experience of six banks active in the export-finance sector.

But the borrowing rate for

countries granted export credits, since July 19, has ranged from 10 per cent for relatively poor countries to 12.4 per cent for relatively rich countries taking credits with a maturity of longer than five years.

This is the first time in recent years that British domestic interest rates have been so nearly aligned with the permissible minimum export credit interest rates under international guidelines.

The gap between the cost of obtaining funds for fixed rate export finance and the charge to borrowers of export credits was at one stage as high as seven percentage points.

The result of this gap has been a steadily increasing Treasury subsidy. In the year to last March it is estimated at more than £500m. In the year to March last year it was £461m and in the year previous to that, £357m.

France's Kier group wins £54m Hong Kong contract

BY OUR WORLD TRADE EDITOR

KIER International, part of the French Kier group, has won a £54m contract, in a joint venture with Gammon (Hong Kong), to build the cooling circulation system for China Light and Power's Castle Peak "B" power station in Hong Kong.

Tenders for the order were called by China Light and Power about five months ago. Following the initial submission, Kier and another contractor were called in for further technical and commercial discussions.

The main opposition to Kier winning the contract is thought to have come from Japan. But Kier's contract emphasises the dominance of British companies at the Castle Peak "B" development.

CEC is the main contractor for the project and Babcock Power the main sub-contractor. Finance

ing of £1.8bn was arranged in the City of London.

In the case of the cooling system contract, however, financing is being arranged by China Light and Power and no export credits from the UK are involved.

Kier, which has been working in Hong Kong consistently for the last seven years, is an equal partner with Gammon in the joint venture but remains the sponsoring company and will provide the senior management for the contract.

The two companies have worked together before, most recently on stations and tunnels for the Hong Kong Mass Transit Railway Corporation.

The advantage for Kier of such an arrangement is that it enables the quick mobilisation of local resources in the build-up to executing the contract.



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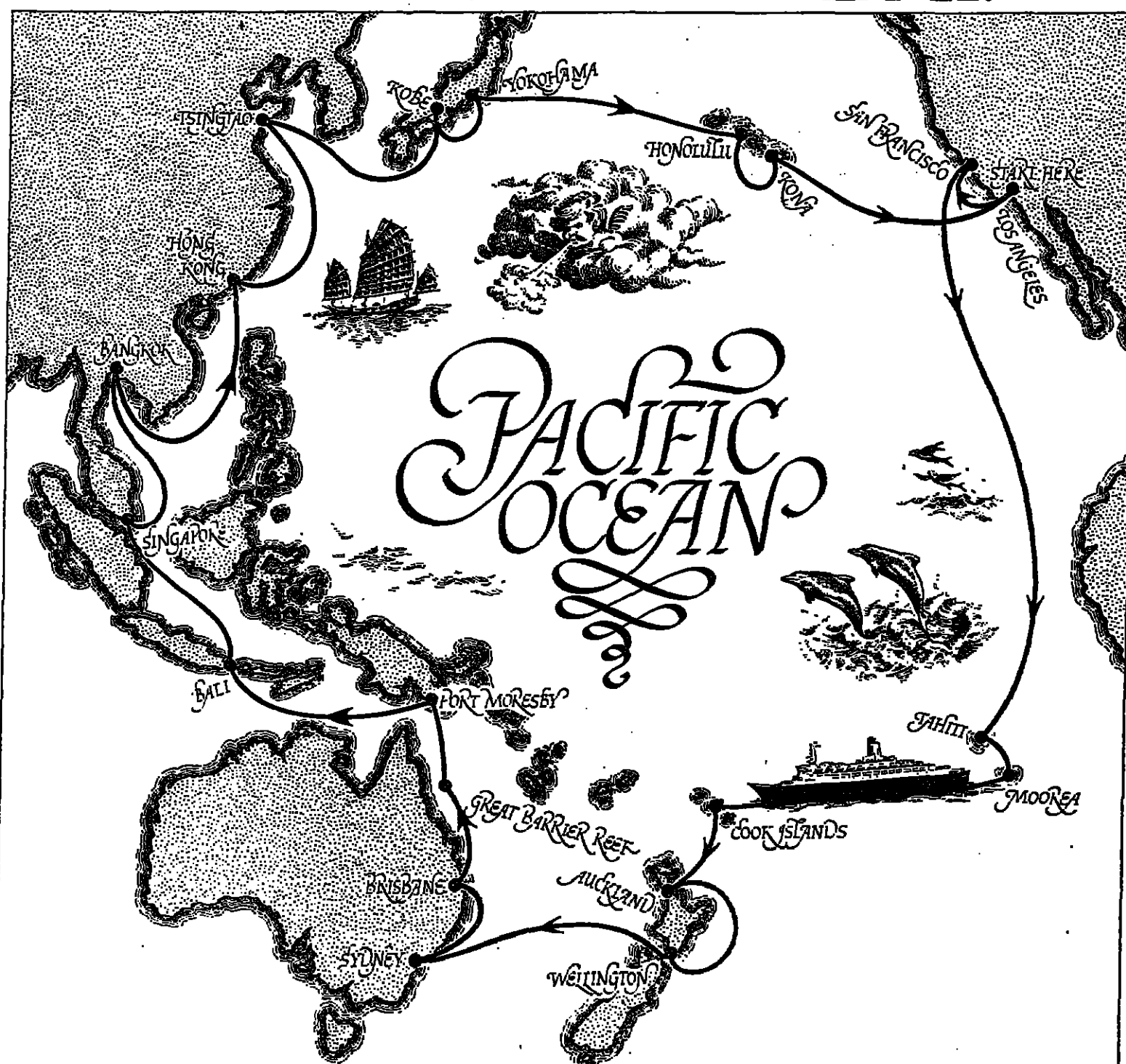
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UK NEWS

Airline introduces new class

By Our Aerospace Correspondent

COMPETITION on the London-Singapore air route will increase from September 6, when Singapore Airlines introduces its Business Class service on 747 Jumbo jets.

The Business Class fare will be \$782 single, compared with the normal Economy Class rate of \$653 (each fare including one stop-over).

For this money, the executive will get a seat in the cabin immediately behind first-class, with 36 seats against the normal 52, giving a space between seats of about 36 inches.

Other benefits will include seat selection at the time of booking; special check-in counters at Heathrow and Singapore (Changi); special lounges at the airports (SIA is building its own Silver Kiosk lounge at Heathrow); a free baggage allowance increased to 30 kilos; improved in-flight service; free meals and bar service with an increased number of cabin crew; and other facilities, including improved hotel accommodation where desired.

Among the latter will be no extra charge for a spouse staying in the same room in an hotel, and extended check-out times at no extra charge.

Air Europe plans Gibraltar service

By MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIR EUROPE, the UK holiday airline, is making its first bid for a scheduled air service between the UK and Gibraltar. It has applied to the Civil Aviation Authority for permission to fly three times a week from Gatwick, starting on April 1, 1983, with another once-weekly service each way from Manchester. The airline is seeking a 10-year licence, and will use Boeing 737 jets.

Air Europe already flies Gatwick-Gibraltar and Manchester-Gibraltar, but with charter services only, on behalf of holiday tour operators. It also carries newspapers and mail to The Rock.

Mr Errol Cossey, deputy managing director of Air Europe, said: "We have a special relationship with Gibraltar, having carried 90,000 sector passengers to The Rock since we started to serve that destination in 1979."

Air Europe recently announced a pre-tax profit of \$5.4m for the year ended March 31 1982, on a turnover of \$22m. It recently ordered two Boeing 737 jets, for operation in 1983, in a \$40m deal with British Airways.

This summer the airline expects to carry 1.2m passengers to 32 European destinations on

behalf of over 50 tour operators.

● British Airways is to spend \$850,000 on improving the interiors of its ageing fleet of One-Eleven jet airliners to give the aircraft more "customer appeal" and to help the airline compete on routes out of Heathrow, Manchester and Birmingham.

● Rolls-Royce is developing a new version of its RB-211 Dash 535 engine, the H4 with 41,500 lbs thrust, which it has offered to McDonnell Douglas of the U.S. for use on a new, longer range and improved version of the DC-10 Trijet, the MD-80.

● Pilatus Britten-Norman, of Bournemouth, Isle of Wight, the manufacturer of light transport aircraft, has reached agreement with Mr Ron Hauck, president of International Aviation Corporation, whereby he will build the Trislander three-engined commuter aircraft at his facility at Homestead Airport, near Miami.

The aircraft will be called the Tri-Commutair. After basic manufacture at Homestead it will be flown to IAC's main base at the general aviation airport for completion to customers' requirements.

Sales of Pilatus Britten-Norman's range of aircraft have now topped 1,000.

QE2 sea trials successful

THE QE2 returned yesterday from 24 hours of sea trials in the English Channel. The ship had been refitted after use as a troop-carrier by the South Atlantic Task Force.

Thousands of holiday-makers watched the 67,000-ton Cunard liner sail through the Solent in new livery of light grey hull and orange funnel. The ship has always had a black hull and a black and white funnel.

It took only eight days to convert the QE2 into a troopship when the vessel was commandeered to go to the Falklands but the multi-million pound refit, paid for jointly by Cunard and the Government, took nine weeks. The removal of helicopter pads involved much structural renovation.

Captain Peter Jackson, the ship's master, said yesterday that it passed its sea trials with flying colours.

"Our new colour scheme has attracted considerable attention. Most people seem to prefer the funnel black in traditional Cunard colours," he said. Fifteen miles of carpet have either been replaced or cleaned. The grill room has been enlarged, and a new health spa, with Jacuzzi has been installed.

The QE2 is due to sail to New York on its first post-Falklands passenger voyage on Saturday.

BR flexible rostering will not involve compulsory redundancy

By PHILIP BASSETT, LABOUR CORRESPONDENT

BRITISH RAIL has agreed with its unions that there should be no compulsory redundancies through the introduction of more flexible work rostering for its 24,000 train-drivers.

This acceptance that the manpower savings which BR hopes to secure from flexible rostering will be achieved by voluntary redundancy and other methods is contained in an agreement reached last week between all sides.

The train-drivers' union recently called an unsuccessful two-week national strike over flexible rostering. The measure of BR's victory is contained in this agreement, which will replace the railways' 1919 agreement on the eight-hour day as the key instrument in working methods.

The unpublished agreement lays down a method of operating the seven-to-nine-hour flexible shifts, which is broadly similar to the decision on the issue by the Railway Staffs' National Tribunal, chaired by Lord McCarthy, which found in favour of BR. The tribunal is examining this year's pay increase.

The draft agreement was sent to the unions last week. It is being signed and returned to BR. There are, however, important differences between it and the McCarthy proposals of RSNT Decision No. 77.

In the safeguards specified by Lord McCarthy on flexible rostering he urged that the majority of the new shifts or turns should not exceed eight hours. This has been tightly defined in the agreement as 51 per cent at any depot.

The agreement further specifies that normally a rostered week will be subjected to a maximum of 44 hr over five days though, with local agreement, 52 hr 30 min over six days can be worked. Where turns are longer than 8 hr 30 min the figures will be 45 hr and 54 hr respectively.

The agreement sets up two new joint working parties. One will review the progressive reduction of unsocial-hours working. The other will examine problems of drivers' travel to work, an important point in the drivers' union case.

All restored overtime is now precluded under the terms of the agreement though BR has gone some way towards meeting drivers' fears about exchanging shifts between themselves by stating "management will endeavour to assist men who have difficulty in arranging mutual exchanges."

BR is hoping to lose 850 posts from flexible rostering in the first year, so the redundancy arrangements are crucial. The

agreement, however, states: "Any footplate staff surplus to requirements at a depot as a result of the introduction of the arrangements set out in this agreement will be allowed to remain at their depot until absorbed into permanent posts, either by promotion or transferring to another depot."

Drivers aged more than 55 will be allowed to volunteer for redundancy but the agreement states "there will be no compulsory dismissals as a result of the application of this agreement."

The agreement secures for BR an important revision of the October 1985 Diesel and Electric Manning Agreement to allow the single-manning of rosters up to and including nine hours long.

BR has agreed to review at an early date any savings from this. Another meeting will review savings resulting from flexible rostering, with the definite commitment of being charged "to negotiate specific rewards."

Unlike flexible rostering for guards though the 39-hour week, a quid pro quo of flexible rostering, will not be introduced across the board now the agreement is concluded. It will be introduced depot by depot only as new rosters are introduced.

Merseyside dockers' pay talks

A WEEK of intense negotiations opens in Liverpool today to resolve the deadlock between port management and the transport union over the dockers' annual pay and productivity package.

The Port Modernisation Committee on which the employers and the Transport and General Workers' Union are equally represented has met intermittently over the last three months without resolving the claim.

The possibility of an all-out strike has fanned employers' fears of further damaging the loss-making port. The two sides have agreed to talk throughout the week to end the stalemate.

The chairman of the Port Employers' Association, Mr James Fitzpatrick, is managing director and chief executive of the Mersey Docks and Harbour Company, which lost \$7.5m last year.

He says he is determined that by the weekend the port will have an agreement that will "ensure stability and a strong future both for the men and the Mersey." Chairman of the Mersey Docks shop stewards, Mr Denis Kelly, said yesterday: "I am confident we can reach agreement although a lot of hard bargaining remains to be done." The outcome of the negotiations will be reported to a mass meeting of the dockers in Liverpool boxing stadium a week on Wednesday.

INSURANCE

Increased losses in non-life sector

By ERIC SHORT

THE NON-LIFE insurance sector in Britain is in the middle of a depression. Keen competition in almost all its areas of global operation for all classes of business, personal as well as industrial and commercial, has resulted in widespread rate-cutting and increased underwriting losses. A clearer picture of the situation should emerge as the UK composites report on their half-year results, starting with Commercial Union Assurance tomorrow.

The operations of an insurance company can be divided into three sections. First, there is the profit-loss on its insurance operations—the difference between premiums received and claims and expenses paid out. Next comes the interest and dividends earned by investing the cash flow received and the reserves held by the company. Last, there is the capital appreciation on the investments held. Interest rates being high throughout the world, many insurers have been prepared to cut premium rates in order to maintain cash flow for investments, thereby incurring underwriting losses which they hope to offset by the growth in investment income. More concern is placed on the overall return on capital employed. These conditions influence insurers in their operations in the various insurance markets.

The U.S. accounts for almost half of insurance business, so analysts have to pay particular attention to it in assessing the prospects of UK composites. Stockbrokers James Capel have produced a comprehensive survey of the North American market, which points out that the insurance trade cycle in the U.S. is by no means homogeneous—different classes of business show different patterns. But overall results are heavily influenced by the automobile business, which accounts for more than one third of U.S. premiums.

James Capel consider the outlook for automobile business to be improving slightly, operating ratios coming to a peak this year after rate increases and a lower number of claims. The survey is pessimistic about other lines of business—home-owners, commercial, multiple

and general liability—though it points out that workers' compensation business has remained remarkably resilient in a hostile context. It concludes with a forecast that the bottom of the U.S. underwriting cycle should be reached next year and that should be a modest recovery in 1984.

Royal Insurance and Commercial Union have both been expanding their U.S. business, in the past couple of years, away from their stronghold traditional in the north-east. They should show strong premium growth, with a corresponding effect on investment income. General Accident appears to be lagging in U.S. growth.

The UK used to be regarded as a sound and profitable insurance market, but not any more. Those conditions attracted overseas insurers who have competed keenly for commercial business. As a consequence, commercial rates have been drastically cut and the established UK companies have turned to the hitherto neglected domestic market for growth. The UK sector has seen keen competition for domestic business, especially in private motor insurance.

Stockbrokers Wood MacKenzie forecast that premium growth in the UK will lag behind inflation this year and next, and they expect the general trend in profitability to deteriorate. But the deterioration will be hidden in the effects of the severe winter weather early this year, which cost UK insurance companies more than £250m in adverse weather claims and entailed poor figures for the first quarter. The results for the rest of 1982 will indicate a recovery, simply because of better weather, and will mask the underlying deterioration.

All analysts agree that, despite the gloom, shareholders can look forward to higher dividends in 1982. Stockbrokers Rowe and Pitman forecast a rise of 11 per cent on average in interim payments and of about 12 per cent for the whole year. That view is based on the underlying strength of the assets held by the composites. The next few weeks should be interesting for shareholders in the insurance industry.

Petrol 'profiteering' claim

AN MP has attacked the decision by Shell to raise petrol prices. Mr Walter Johnson (Lab, Derby S.) called on the Government to stop what he called "gross profiteering" by oil companies.

Shell announced on Friday that it would reduce subsidies to dealers from midnight last night—a move which will force

up prices at its garages by 5p a gallon.

Other leading companies are expected to announce similar increases early next week, bringing the average price of four-star to £1.72 a gallon.

Mr Johnson said: "This scandalous imposition on the motorist will have the effect of pushing up the cost of living."

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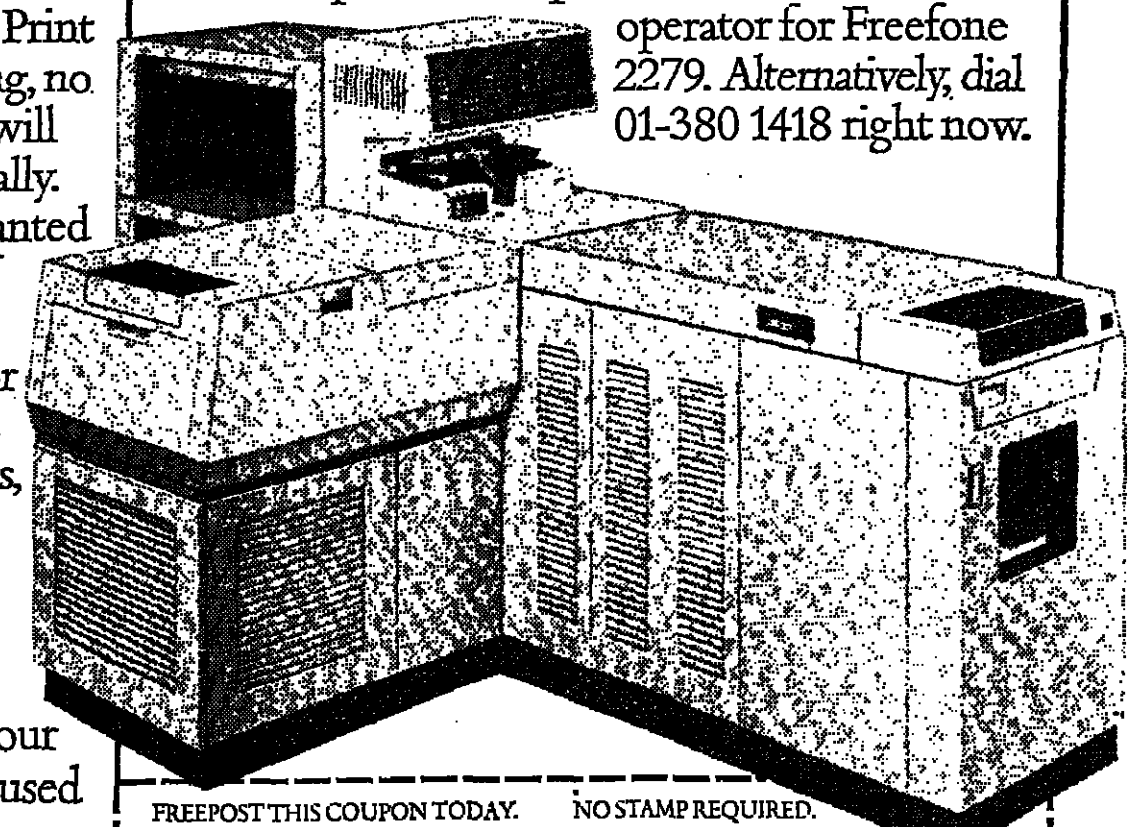
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BUILDING AND CIVIL ENGINEERING

Civil engineers' hopes are dashed

THE OUTLOOK for the civil engineering industry has deteriorated since the Spring, despite earlier signs that the bottom of the recession might have been reached.

The Federation of Civil Engineering Contractors says in its July survey that workloads and order books have continued to decline since its last survey in April.

"The decline in the civil engineering industry has once more begun to quicken, after a period when the indications were for a stabilisation in workload, albeit at a dismally low level," the Federation comments.

The survey shows that 47 per cent of contractors reported lower order books in July than six months earlier while 52 per cent said that order books had fallen compared with 12 months ago. Only between 20 and 25 per cent of respondents said that orders had improved.

In April, 44 per cent of companies had reported a drop in orders over the previous six months and 47 per cent said that orders had fallen over the 12 months period. At that time, civil engineering companies were talking about possibility of the bottom of the recession having been reached.

The Federation says that larger companies appear to have been worst affected by the deterioration that has taken place since April. A higher proportion of larger companies report reduced order books and "show substantial shedding of both staff and operatives, with staff reductions particularly prominent."

A rise in invitations to companies to tender for new work has not been reflected in increased workloads, says the survey, which implies that more companies are being asked to tender for the same job while the average value of contracts has fallen.

The Federation comments: "In overall terms, the picture presented would indicate a growth in small, short term contracts which are more labour intensive, such as repair and maintenance. Tendering continues to be very competitive. This is reflected in the relative performance of firms, with small companies stabilising to a degree, while larger companies are facing a renewed decline."

In brief, the civil engineering industry is no longer on a plateau and the subdued optimism beginning to appear earlier in the year has evaporated. It is clear that unless positive steps are taken to invest in capital infrastructure then the industry will continue to decline and the unemployment rate will rise above its present level of 25 per cent," the Federation concludes.

ANDREW TAYLOR

'Keep some existing regs'—surveyors

THE CURRENT system of building regulations should be retained for some types of building work, according to the Royal Institution of Chartered Surveyors.

The RICS is urging the Department of the Environment not to completely abandon the present regulations when proposals for a more flexible system are finally introduced. The Government's plans for introducing a new system of monitoring and administering building control regulations, using private certifiers, were contained in a consultative paper published nearly two weeks ago.

Commenting on the consultation paper, the Institution says that, despite the clear need for simplification and change, many builders would prefer "the concrete guidance and

uniformity" of the present regulations system when involved with low-rise, conventional buildings.

Mr Peter Pitt, chairman of the Institution's working party on building regulation and control, said last week that the new proposals have been composed to suit building designers rather than builders and those who had to operate the controls.

Mr Pitt claimed it was an illusion to pretend that any real change in the system would occur until a full library of approved documents illustrating the new regulations had been compiled under the aegis of a properly constituted Building Control Board.

Until then, he emphasised, the present regulations—amended and improved—should be used. MICHAEL CASSELL

GLC studies housing association aid

THE TANGLED affairs of the Strongbridge Housing Association, whose management committee includes three members of the Greater London Council's Conservative front bench, are at the centre of the GLC inquiry now being held into the financial aid provided to housing associations by the council over the past 20 years.

The inquiry, which began last week, is being conducted by an independent QC. The Association, more than £750,000 behind with loan repayments to the GLC and to Hillingdon Council, has also been the subject of an inquiry by the Housing Corporation, the body charged with financing and overseeing housing associations—the voluntary non-profit bodies which provide accommodation at "fair rents."

The Association claims that its difficulties are due to the failure by the Department of the Environment to pay revenue deficit grants to which the Association is entitled, a not uncommon source of financial embarrassment to the associations, as the grants are discretionary.

But controversy has also centred on the role of Mr Geoffrey Seaton, Conservative GLC member for Surbiton, and Opposition Chief Whip on the GLC until the end of last month. In addition to receiving a salary as acting secretary and chief executive of Strongbridge, he was also director and part owner, with other members of his family, of Geoffrey Seaton Management Services Ltd, which had the contract for rent collection and other estate management duties for the association.

Such links are now illegal under legislation passed in 1980. Contracts already in force, such as that with Mr Seaton, are, however, exempted, and there is no suggestion of any illegality

in Mr Seaton's position. But it is Housing Corporation policy for such contracts to be phased out, and the arrangement is part of the brief of the Corporation inquiry which was completed last week. Interested parties were informed of the conclusions on Friday.

Mr Seaton himself stressed in a statement that he has "scrupulously avoided using any improper influence to obtain benefit for the housing association" and always made his own financial interest clear.

The Strongbridge Report

Arrears totalled £853,000 but, after allowing for likely subsidy payments from the DOE, deficits remain totalling £184,000. The Associations can only meet these by selling assets.

Main causes of the arrears were failure "over a protracted period" to seek subsidy at the earliest possible opportunity and the fact that management expenses were more than £80,000 in excess of DOE norms.

The estates were not well maintained. There was mismanagement, but no evidence of misconduct or illegality. It recommended that another association should take over; that nine Housing Corporation nominees should join the Boards to give the Corporation a clear majority; and that the contracts with Mr Seaton and his two companies should be ended as soon as possible, without compensation. Mr Harold Mote has offered to resign from the chair of both Associations.

In addition to Mr Seaton, the association's management board includes as chairman Mr Harold Mote, GLC member for Harrow East and GLC opposition spokesman on transport, Sir Nigel Fisher, Conservative MP for Surbiton, and Mr David Howe, who works in the Prime Minister's political office. The partisan enthusiasm of Labour members in pursuing the case is therefore understandable—even if, for good measure, the board also includes the leader of the Labour opposition on Kent County Council. Nonetheless, whatever the joys of the chase, such agreements and the problems arising from them are

nothing new in the housing association movement.

For many in the Labour party an additional motive, apart from the understandable pursuit of rumours involving the opposition, is a deep-rooted suspicion of housing associations. At the same time, however, some Labour members, such as Mrs Gladys Dimson, a past housing chairman with long-standing personal involvement in the housing association movement, have expressed the hope that the inquiry will not lead to a general attack on the housing association movement.

Whatever the inquiry may uncover, it should help to focus attention on the dilemma facing associations as bodies which exist to mobilise voluntary and unpaid effort, and which are often caught in the shifting complexities of a subsidiary system which can leave many participants out of their depth.

Housing association projects are initially financed by loans from the Housing Corporation or from local authorities. On completion and after submission of audited accounts, these are partly paid off by a government capital subsidy known as

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What's new in building

Hoping to solve a potential vandalism problem, architects Waring and Netts chose a Lexan polycarbonate sheet to protect rooflights in a pedestrian precinct at High Street, Gosforth, Newcastle upon Tyne.

Supplied by Transplastix, major fabricator of rooflights, the material is bronze and promises strength, excellent light transmission and weathering characteristics, and UV stabilisation. It is also light in weight.

More on Lexan from General Electric Engineering

Polymers, Birchwood Park, Risley, Warrington, Cheshire (021 622 6868).

Econopump Concreting Services has taken delivery of the first jerry mounted siphon static concrete pump in the UK with outputs up to 34 cubic metres an hour says Ackermann Plant (0636 814350).

The Wilbur-Ackpump has no pistons, cylinders or valve systems but generates suction and pressure by the action of rollers compressing a 5-inch

steel reinforced rubber tube on the inside diameter of an evacuated steel drum and, virtually, the only component subject to wear is the long-life pumping tube which can be changed on site, reducing the risk of downtime and high maintenance costs, claims Ackermann.

A new flat roof insulation system called Isogel, specially designed for the inverted flat roof form of construction, has been introduced by Isocrete of London NW7.

This incorporates an extruded polystyrene insulation with 100 per cent closed cellular structure promising a high mechanical strength—and water absorption of no more than 0.58 per cent by volume.

Available in 30, 40, 50, 60, 75 and 80 mm, it incorporates a rebated edge to avoid cold bridges, and is suggested for use in car park roofs, cold stores, refrigerated warehouses, agricultural buildings, ice skating rinks and swimming pools.

UK CONTRACTS

TWO MAJOR orders, worth a total of £18m, have been won by SIR ROBERT McALPINE AND SONS, Cheltenham and London are the locations and each project will take around two years to complete.

In Cheltenham, for Cruden Developments, McAlpine are to build the Regent Shopping Arcade and car park to a design by Dyer Associates which takes full account of the age and environment of the area. Within the covered mall and other public areas of the 300 by 60 metres on-plan structure with its 14 lifts and two escalators the Victorian era will be reflected in style.

Lombard Street is where McAlpine will soon start to erect a 36 by 38 metres on-plan office block for Guinness-Plant Property Services. Rising 25 metres from ground level above an 8 metres deep basement car park, the reinforced concrete frame structure will be externally clad in granite and curtain walling.

OVER £3m worth of new work has been secured by W. S. TAY (HOLDINGS) of Uxbridge. These varied contracts cover a new restaurant and services area on a management fee basis at Heston for Granada Motorway Services to a value of £1.5m.

There is an office development at Viewley for Vulcan at £440,000; alterations to Cargo Centre at Heathrow Airport for British Airways (£211,000); and two term contracts each on a three year basis at HM Dockyard Portsmouth—£800,000 a year for the PSA, and £1.5m a year at Heathrow for the British Airports Authority.

TEN CONTRACTS with a total value of £5.5m just awarded to JOHN MOWLEM include a £2m new police headquarters at Otley Road, Leeds, and a £1.3m five storey office complex for the Bradford Insurance Company at Halifax.

The City of Bradford Metropolitan Council has awarded Mowlem in the north a £1.2m management contract to build a council cleansing depot at Harts Street.

A £1m award from Leeds City Council is for 51 council homes to be built at Ellery Lane, where 23 semi-detached dwellings will be designated for sheltered accommodation for the elderly.

Site scheme approved

FOLLOWING A recent debate and vote in the House of Lords, final approval for the Special Development Order for a 13.6 acre site on London's South Bank adjacent to Vauxhall Bridge means that the development will definitely go ahead. It will be undertaken by Arunbridge on behalf of clients and will be carried out in

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The Home Office has placed a £400,000 job to demolish and rebuild a 750 ft length of boundary wall at Wakefield Prison.

The rest of the work covers a test house and facility for Doncaster Monksbridge at Whitehall Road, Leeds; a new public road for British Rail at Capmanthorpe, York; walls and floors for an extension for J. Wharton (Shipping) at Gunness, Scunthorpe; assembly centre at Goole Docks and, finally, four shops for Gunsey Properties at Prospect Street, Bridlington.

R. MANSELL'S new batch of around £2m worth covers seven different awards with a Hambro Life £2m deal just under way this month. The work is at Prince House in Jersey Street, London SW1, and comprises major alterations and additions to offices.

The company is constructing a new reinforced concrete office building at Rathbone Place under a £1.1m award, and other office contracts are a £200,000 development at Ballards Lane, Finchley, for the Co-op Insurance Society and a £808,000 reconstruction at Ecclestone Place, London SW1 for the LEB.

Housing work has been won both for the public and private sector, including an £240,000 order for the London Borough of Southwark for refurbishing, repairs and improvements at the multi-storied Castlemead Estate.

A £4.5m contract to provide a North Sea liquid gas store 600 ft underground was recently awarded to PABLOUGH CIVIL ENGINEERING, tunnelling division, which will excavate two caverns in middle chalk rock at South Killingholme, South Humbershire. Underground conveyor belts and deep mine winding gear will be installed to hoist excavated chalk to the surface. The gas store will allow Calor Gas to store 120,000 cu metres of liquid gas, pumped in direct from North Sea pipelines.

TECHNOLOGY

Computer controlled system could be a life saver

A breath of fresh air from Britain

BY ELAINE WILLIAMS

THE ABILITY to give people a breath of fresh air has allowed Sabre Safety, a small British company to reach a turnover of £1.5m in eight years against fierce international competition.

This year, Sabre Safety, which makes a wide range of breathing apparatus for industrial applications, hopes that this turnover will double in 1982.

As it operates in a relatively small market competing against a few dozen companies around the world, Sabre realises that it must exploit new technology in its products and manufacturing processes to keep costs down and to produce more sophisticated products to stimulate sales.

This is typified by the recent design of a computer controlled system to test its breathing apparatus before it leaves the factory. As Mike Glynn, Sabre's managing director, explained:

"One faulty piece of equipment could mean someone's life."

Until now testing of each unit was laboriously carried out by hand and some statistics about the performance of a breathing unit under different conditions was difficult to simulate.

Now the company can carry out complex tests on its products in a few minutes instead of hours. Mr Colin King, the engineering director, believes that better knowledge about the characteristics of the breathing apparatus during use will lead to better but cheaper designs.

Also several of the company's major customers have expressed interest in purchasing the test machine to help them maintain existing equipment. Sabre hopes to start production of the machine next month.

Until now, organisations had very little choice of testing

equipment—most were expensive and relatively crude.

Sabre's range of equipment varies from simple masks connected to an eight minute supply of air installed at strategic points around ships or in chemical factories. These can be used in cases of fire or leak of toxic gases to help people escape from a dangerous area.

Recently, Sabre completed a rush order of 11,000 of these units for the Royal Navy, worth more than £1m. The order, which was completed ahead of schedule came two days after HMS Sheffield was hit during the Falklands crisis.

At the other end of the range, Sabre makes sophisticated breathing apparatus for use in fire-fighting and for mines rescue where up to four hours' worth of air has to be provided.

Sabre is putting great emphasis on export markets,

particularly the Far East, especially as the UK market is static. About 40 per cent of its output is exported and Mike Glynn hopes this percentage will grow over the next few years.

Its long list of customers include Pemex, the Mexican state-owned oil company which has £80,000 worth of Sabre's breathing equipment on its oil platforms in the Gulf of Mexico.

Breakthrough

In Saudi Arabia it secured £250,000 worth of orders from that country's civil defence organisation. This was an important breakthrough in a market dominated by U.S. suppliers. Other customers include chemicals plants and mining companies.

The company realises that even in the relatively conserva-

tive breathing apparatus market there are opportunities to exploit microelectronics. It recently completed a study, funded by the Department of Industry's Microprocessor Application's Programme Consultancy (MAPCON) scheme, to indicate how such equipment could be improved.

For example, the company is considering replacing the conventional air pressure gauge on more sophisticated breathing equipment with a microprocessor-controlled one.

Though slightly more expensive than conventional systems, it could give the user far more information, such as monitoring the level of toxic gases in the air, measuring temperature, warning of leaks, and monitoring pressure in the face mask itself rather than the pressure delivered from the valve unit.

Machine tools

New features in Addison horizontal bandsaw

BY MAX COMMANDER

THE Addison Jubilee AH250 automatic horizontal bandsaw pictured below is an addition to the range of tools from this company at Westfields Road, Acton, London, W3 (01-993 1661).

Powered rollers in the

machine vice drive the work-piece to a length stop mounted on two support rods. A limit switch is incorporated to initiate the cutting cycle. The cycle repeats automatically either until the material is exhausted or the required number of

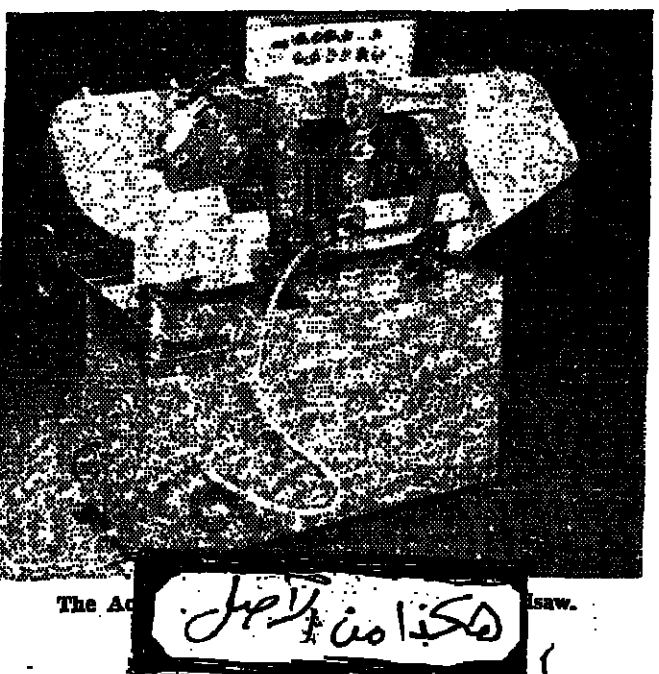
pieces, pre-set on the work counter, have been produced. Other features include a system whereby the feed rolls automatically withdraw the bar stock at the completion of each cut to prevent the blade rubbing against it as the sawbar rises.

The load on the bandsaw blade can be monitored constantly and the feed rate automatically adjusted; a combination of carbide pads and roller bearings provide precise control of the bandsaw blade.

The machine includes a

grouped control console for the operator with a workpiece counter and coolant gun with hand nozzle for flushing swarf from the cutting area.

Capacity is 250mm for rounds, 230mm for squares and for rectangular 280 x 190mm.



Portable extractor for welding fumes

AN air flow of 21m³/min at 150 mm wg (750 cfm at 6 in. wg) vacuum is claimed for the new DU5 portable dust extractor from Defuma, Stukeley Road

Industrial Estate, Huntingdon, Cambs (0480 554666). Designed mainly for the extraction of welding fumes and oil mist, the DU5 has a filtration

area of 9,000cm² and a 44,000 cc capacity collector tray. Full technical details from the company.

Keeping computer storage confidential

HOW does a company tell if the confidential information stored away in its computer files are safe from prying eyes?

The National Computer Centre and Deloitte, Haskins and Sells recently carried out a study involving several large computer users to test if an external auditor could check effectively on a company's computer security.

The reason for the interest in

this subject is due to proposed legislation for private data networks. So far the government has been very vague about the possible procedures for inspecting the operation of huge data computers.

The NCC found that external auditors could take on the extra task of data protection inspections provided they had knowledge of computer based auditing systems. Today such know-

ledge is relatively common. Six organisations including Trustee Savings Bank North West, United Biscuits and Liverpool Universities participated in the survey. Information stored on the computer systems were varied, ranging from student records, payrolls, to bank account details.

Copies of the NCC's findings are available from NCC, Oxford Road, Manchester, M1 7ED.

Office automation

Overall picture is still optimistic

BY GEOFFREY CHARLISH

NOT LONG ago, Eosys, the office automation consultancy and research organisation previously known as Urwick Nexos, conducted a survey among 290 managers with a primary responsibility for office automation.

Sixty per cent of them responded and the conclusion by Eosys is that the overall picture is still bright, despite the economic climate. However, on some scores the outlook is rather less bullish than it was when the last survey was conducted six months ago.

For example, 57 per cent of the respondents have increased budgets for the next 12 months, whereas the figure was 67 per cent six months ago.

There also seem to be growing problems of compatibility of systems. Some 59 per cent mentioned such difficulties compared with 52 per cent during the earlier survey.

An attempt was also made to find out what cost benefit the respondents expected to obtain.

Although most managers had little problem in identifying applications, they had some difficulty in finding suitable systems and often thought the

difficulties involved in implementation were too great. The more complex the user's activity, the more often were these views expressed.

But clearly a good deal of time goes into preparing justifications for systems. Well over half of the respondents had prepared between one and five such reports, while 6 per cent had prepared more than 10.

Some money is being spent looking at the idea of office automation. Over 91 per cent had set aside up to £10,000—but few managers expended sums over that level (about 8 per cent).

Expected expenditure on the systems themselves will for the most part either go up or remain the same—only a few per cent of those questioned expected it to go down.

Microcomputers, word processors, executive terminals and microfilm/microfiche are (in that order of magnitude) the front runners for money. But approximately three-quarters of the managers expect no change of spending on electronic mail, videodata, facsimile, message switching or optical character recognition.

Biotechnology

Bleak forecast for the new drug companies

A BLEAK future has been forecast for many of the 200 or so companies which have sprung up to exploit the potential of biotechnology in the production of new drugs.

In a report on the impact of biotechnology in the pharmaceutical industry published by Strategic Incorporated, the U.S. consultancy says that only a handful of companies will eventually survive because of the enormous investment required before new products can reach the market.

Already there are indications that the rush to invest in biotechnology is slowing down as investors realise that their investment is unlikely to show profit for at least five to 10 years.

It has been estimated that it can take about seven years and

cost US\$ 100m to bring a new drug onto the market because of the rigorous testing needed. In addition biotechnology companies still have many technology problems to solve in moving developments from the laboratory to full scale production.

The first product which will reach the market is likely to be a human insulin. Two manufacturers Eli Lilly in the U.S. and Novo of Denmark have announced their intention to make insulin using the new technology.

Diabetes is one of the most common killers today. There are more than 6m sufferers in the U.S. alone.

The Impact of Biotechnology on the Pharmaceutical Industry is available from IPI, 134, Holland Park Avenue, London, W11 4UE.

Safety Beacon for night use

GERALD COOPER'S simple idea to produce a tiny clip-on light to help people be seen at night could result in sales of 3m units in the first year of his company's operation.

Mr Cooper has set up a company called Barched to market his invention—a small flashing beacon with a long life which can be seen up to a distance of a quarter of a mile.

He designed the light because he felt that present fluorescent belts worn by children, cyclists and horse riders could be improved upon.

Barched Bank helped Mr Cooper with finance for his venture which already has export markets opening up in Sweden, Norway and the U.S.

The Fizzig, as the small flashing beacon is called, is being manufactured by a separate company to Barched, set up by Mr Mike Sanderson. He helped turn Mr Cooper's idea into a practical reality.

Mr Cooper hopes that both companies could employ a total of 50 people by the end of the year if present demand is maintained.

Conference repeat

THE LOCAL area network conference and exhibition held earlier this year was, according to the organisers, "a huge success" and so is to be repeated next year, March 8 to 10 in London and June 27 to 29 in the U.S.

The three-day conference will take place in two parallel streams, one dealing with key technical elements and the other highlighting selection and implementation considerations.

High on the list of topics will be a review of the various standards currently promoted by a number of manufacturers. More from On-line-Conferences on 06274 2211.

Monday August 9, 1982

هكذامن النكحل

Panama

Panama is slowly trying to fill the power vacuum created by the death in a plane crash of General Torrijos, the country's benign dictator for 13 years. Relations with the U.S remain uneasy but the stability of Panama, the home of the canal, is vital to Washington

Testing year lies ahead

By WILLIAM CHISLETT

EVERY DAY, people visit a simple marble tomb at the main cemetery in Panama City. The tomb, which always has fresh wreaths by its side, is watched over by four National Guardsmen who stand to attention in the sweltering heat.

On July 31, the first anniversary of the death of General Omar Torrijos, Panama's benign dictator for 13 years, thousands of people converged on the cemetery and gathered at other places around the country for acts of homage sponsored by the Government of President Ricardo de la Espriella and the National Guard, which General Torrijos headed.

The guards' barracks, across a plane crash is still keenly felt and that vacuum is heightening the sense of unease about the future.

The Panamanian economy which revolves around services like banking and the canal and exports of sugar, coffee and bananas is going through a difficult stage as growth, hard hit by the international recession and low commodity prices, continues to decline. The economy is expected to grow by a maximum of 1 per cent this year after 3.6 per cent in 1981 and there will probably be no growth at all next year.

At the same time, the country is moving towards free elections in 1984, the first since Gen Torrijos was brought to power in the 1968 coup against the conservative government of Dr

Arnulfo Arias.

Gen Torrijos's closest aides say that had he lived he would not have run in the elections for the official Revolutionary Democratic Party (PRD).

The party was formed in 1979, along the lines of Mexico's long-ruling and broadly-based Institutional Revolutionary Party (PRI), in order to legitimise the "revolutionary process" started by Gen Torrijos. The PRD is an uneasy mixture of Marxists, Social Democrats, businessmen and nationalists.

The general, however, wanted to remain in the background as the commander of the National Guard and the power behind the throne. He had a remarkable ability, through the force of his personality, to steer a path of consensus policies and keep

both labour and capital happy, something quite out of the ordinary in turbulent Latin America.

His ambition was to continue his progressive international foreign policy, which so infuriated Washington and he was president of the Non-Aligned Movement in 1983. He would have found a civilian presidential candidate in his mould for the PRD.

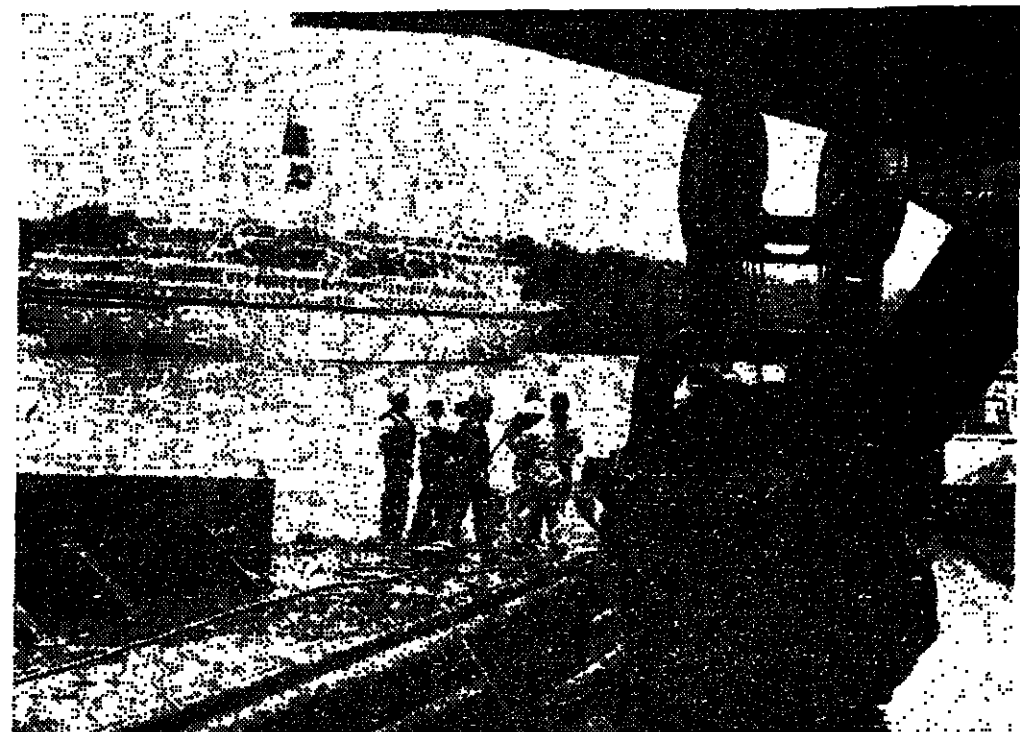
Gen Torrijos's death, however, has laid bare the infighting in the Government which was kept at bay while he was the final arbiter, and intensified the jockeying for power. Sr Aristides Royo, whom Gen Torrijos hand-picked in 1978 to be President, resigned at the end of last month after falling out with the National Guard.

He was replaced by the Vice President Sr de la Espriella.

The National Guard, too, has had its internal differences which culminated in March in the forced retirement of its head, Colonel Florencio Flores, in a palace coup. By most accounts the first President Royo knew about the change was when Colonel Rubén Darío Paredes, the new guard head who quickly promoted himself to general, presented President Royo with a decree to sign legalising the changes. Relations between the executive and the military have been strained.

Gen Paredes is now trying to step into Gen Torrijos's shoes. He is expected to retire next year and to run for the presidency for the PRD.

Meanwhile, centrist opposition parties like the Christian Demo-



Dredging operations, an important part of the maintenance of the canal, continue as The Royal Viking Sky makes a northbound transit

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Labor, Logistics, Location

Light-assembly, labor-intensive manufacturing operations can't maintain profitability without these three key elements. But where does the best possible combination of these elements exist?

The Republic of Panama is the answer.

In fact, when comparing the total picture for offshore assembly operations, Panama offers substantial advantages over any area.

Labor: Panama's available labor pool of skilled and unskilled workers is well-educated, 50% bilingual and has proven to be extremely productive. Coupled with these factors are low minimum wages and flexible labor laws.

Logistics: Panama offers the most developed industrial-commercial infrastructure in all of central Latin America and the Caribbean, especially for light-assembly operations; ample utilities and hydro-electric power supply; a modern international telecommunications system; and an advanced transportation system with superb port, rail and air-freight facilities. And Panama is a major world banking center with \$40 billion in deposits.

An expanded industrial park in the Colon Free Zone welcomes offshore industries with priority space and all the advantages of the second largest free zone in the world.

Location: One of Panama's premier assets is its key location between the Americas and the Atlantic and Pacific. The Panama Canal offers unparalleled advantages to manufacturers. New and expanded air freight terminals offer daily flights to major U.S. locations, and the country's major ports on two oceans provide daily

direct shipping to all world markets and supply areas.

Incentives: Another key element is Panama's positive tax incentives for light-assembly operations under the Maquila Program. There are no income taxes, no import/export taxes, no sales tax and the U.S. places no quota restrictions on goods assembled in Panama. In addition to this, a single-contact "one-stop-shopping" agency assists foreign manufacturers in establishing operations by giving maximum service and flexibility with a minimum of red tape.

Labor, Logistics, Location.

Only a few of the reasons why the Republic of Panama is the optimum location for your offshore manufacturing-assembly investment. For more information about Panama's advantages, send us your business card or just fill out and mail the coupon below. Thank you.

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PANAMA II

The strong services sector is buoying up an ailing economy.
Even so, only minimal growth is forecast for this year.

Hard-pressed to make fiscal ends meet

LOOKING OUT across Panama City from the skyscrapers which accommodate the growing number of international banks, it appears at first sight that Panama's economy is booming.

New luxury apartments and commercial offices are nearing completion and in the tiny capital city, such construction work stands out prominently. But it is a deceptive view and in no way mirrors the true state of the economy which will continue its relentless decline this year, for the third year running.

Real growth, which peaked at 7 per cent in 1979 is officially forecast to be no higher than 1 per cent this year after 3.6 per cent in 1981.

The services and commodities-based economy, which revolves around 127 international banks (using Panama's offshore facilities), the canal, the Colon free trade zone and exports of sugar and coffee, has been badly hit by the world-wide recession.

But while the economy is ailing, it is in considerably better shape than the other five economies in Central America because it is more diversified.

Panama's situation would be considerably worse were it not for the pivotal position of services in the economy which, while affected by the international recession, give the country a cushion against the sharp drop in the international price of its commodity exports.

For example, the banking sector grew by 22 per cent last year, while construction declined 7 per cent (the new housing seen today is the tail end of the 1978 construction boom); manufacturing fell by 2.3 per cent and agriculture, the country's Achilles heel, dropped 1.2 per cent.

Panama's straitened circumstances have been aggravated by a sharp drop in revenues caused by lower than targeted tax returns and the high cost of servicing its large external debt of \$2.6bn.

The Government based its modest 1982 budget on receiving \$438m in revenues in the first half of the year, but it only received \$411m. This shortfall, coupled with the burden on the exchequer of meeting interest payments, has made budget cuts necessary.

The new President and economic overlord, Sr de la Esparilla, said the budget was recently cut by 12 per cent or \$150m, mainly in capital expenditure.

Even so, he said this would mean that the \$255m public

"If we do, it will open the flood gates to other wage demands and would completely undermine our economic policy."

The strike was quickly settled when Sr de la Esparilla took office and apparently to the teachers' benefit.

The Government's aim is to hold off a general wage increase until next year—"we do not want to be another Costa Rica," said Sr de la Esparilla, referring to that neighbouring country's state of bankruptcy.

ECONOMIC STATISTICS

	1979	1980	1981	1982*
GDP real growth rate (%)	7.0	4.9	3.6	zero to 1.0
Inflation (consumer) (%)	14.0	15.3	7.3	6
Current account deficit	\$324m	\$288m	\$421m	—
External debt (public)	\$2bn	\$2.21bn	\$2.33bn	\$2.58bn
Debt service (interest, capital)	\$500.7m	\$453.8m	\$536.6m	—

* Estimate.
Source: UN Economic Commission for Latin America (Cepal).

sector deficit target set by the International Monetary Fund (IMF) for this year, under its latest SDR \$28m standby credit with Panama, would still be exceeded by some \$80m.

Sr Guillermo Chapman, the leading private sector economist, said that but for the budget cuts the deficit would have been \$425m.

The other main conditions of the IMF agreement, signed in April for a year, is no across the board wage increase this year for the second year running and a ceiling on net foreign borrowings of \$255m, the same as the budget deficit.

Sr de la Esparilla, a technocrat widely admired by the international financial community for his orthodox economic policy, is faced with the delicate issue of trying to keep the lid on public sector wages. Teachers are seeking a \$100-a-month increase, but the Government has only offered half that amount.

"We simply cannot afford to give into the teachers," he said.

largely caused by gross overspending, financed from massive foreign borrowing.

Panama's own external debt represented 62 per cent of gross domestic product at the end of 1981. This was down from 68 per cent at the end of 1980 but it is still very high.

The IMF has asked the Government to bring the debt down another 2.4 per cent this year. External debt service payments last year equalled 12.5 per cent of total exports of goods and services, up from 11.9 per cent in 1980.

Meanwhile, the grandiose project to develop one of the world's biggest reserves of copper in western Panama—Cerro Colorado, literally the red mountain—has been delayed while another feasibility study is drawn up over the next 18 months for a more modest production output of 50,000 tonnes a year.

The low copper prices and the enormous extra foreign borrowing which Panama would need to see the project become a reality (with its joint venture partner Rio Tinto-Zinc, the British multi-national), have made both sides take another look at the multi-billion dollar project.

William Chislett

CANAL PAYMENTS (\$'000)

Fiscal year	Tolls revenue	Payments
1977	164,685	2,098*
1978	195,735	2,095*
1979	209,522	2,095*
1980	293,444	77,652†
1981	303,080	76,863†

* Before FY 1980 the annual payment to Panama was paid by the Department of State. The Panama Canal Company reimbursed \$519,000 to the U.S. Treasury.

† According to the Panama Canal Treaty an annual amount of up to \$10m will be paid out of Canal operating revenues to the extent that such revenues exceed expenditures of the Panama Canal Commission. Payment of \$2,680,000 was made on July 16 1981 through supplemental appropriation enacted by Congress.

Testing time ahead

CONTINUED FROM PREVIOUS PAGE

efforts to pursue a politically negotiated settlement for El Salvador. In July Panama managed to bring the Salvadorean armed forces, the guerrillas and a personal representative of Fidel Castro around the same table, reportedly for the first time.

Relations with Washington are uneasy, although they are considerably better now than they were before the Torrijos-Carter treaty came into force in 1979 and began to transfer control of the canal to Panama. Panama was the most vociferous critic in Latin America of the support the U.S. gave to the UK in the Falklands dispute. Its policy was hardly surprising given the long and bitter history of Panama's own "Falkland Islands"—the canal.

With Central America in turmoil—even the region's only established democracy, Costa Rica, is no longer free from the political violence—Panama's continued stability in the face of revolutions in El Salvador and Guatemala is of great strategic importance to Washington.

Apart from the canal, Panama is the headquarters of the U.S. Southern Command, which is responsible for co-ordinating relations with all the armies in the region as well as providing training facilities for officers from all over Latin America.

In the event of Washington ever taking military action in Central America—considered unlikely not impossible—it would almost certainly be directed from Panama. The

country, situated as it is at the crossroads of the Americas, is an ideal springboard for the U.S.

As regards the stability of Panama itself, there is no sign of any serious discontent despite the government's disarray. International banks continue to set up shop in Panama every year, which is a firm stamp of approval that the country remains to the outside world a relatively prosperous island of stability. The country's credit rating, at a time when the gloss is coming off major Latin American borrowers like Mexico, is good; despite the large size of Panama's external debt of \$2.6bn which is 62 per cent of gross domestic product.

There is a testing time ahead as the Government implements unpopular economic measures recommended by the International Monetary Fund (IMF) in its latest programme with Panama. Real wages will continue to decline in 1982 for the second year running, particularly in the public sector where the IMF has asked for no across the board salary increase.

Teachers and the government were locked into a dispute in the middle of July over a pay rise which, if given, could unleash an avalanche of other wage demands.

As the country moves towards elections in 1984, with little certainty at the moment that the official PRD is going to win, the Government will be sorely tempted to buy votes with expansionist policies it can ill afford.



Tower blocks in the financial district of Panama City

MAIN EXPORTS AND IMPORTS

Exports (figures in \$m)	1979	1980	1981
Petroleum products	72	82	61
Bananas	66	62	76
Shrimps	45	44	41
Sugar	26	66	63
Coffee	10	10	7
Imports	1979	1980	1981
Oil	361.8	348.8	346.9
Capital goods	150	188.1	204.5

Source: UN Economic Comm. for Latin America (Cepal).

Influx of foreign banks rolls steadily on

THE BANKING sector is now the most dynamic part of the ailing Panamanian economy and its growth shows no sign of decreasing.

While agriculture, manufacturing and construction are all in the doldrums, international banks continue to set up shop in Panama City, the biggest offshore centre in the Americas, from where they largely recycle Euromarket funds and some private capital to Latin America.

The sector, housed in a handful of skyscrapers and a few converted houses, now represents 9.2 per cent of the Gross Domestic Product, a full percentage point more than a year ago, compared to agriculture's declining 13 per cent.

The 127 Panama-based banks, as against just over 100 two years ago, employ 8,500 people, all but 350 of them Panamanians.

The presence of so many banks gives the hard-pressed Government readily available credit and underscores the international confidence in Panama at a time when confidence in the rest of turbulent Central America is at its lowest ebb.

Assets (which in banking terms means loans) of the banks totalled \$44.3bn at end-March 1981. Bank deposits totalled \$33.1bn, most of them borrowed on the international inter-bank Euromarkets, financed the great majority of the loans.

Last year, nine new foreign banks obtained international licences to operate from Panama, and so far this year, three have been granted general licences to carry out both domestic and offshore business. Among the newcomers are Credit Suisse, Bank Leumi Le-Israel and Mitsubishi Trust and Banking Corporation. Japanese banks have boosted their presence in Panama more than any other country in the last three years. Trade is growing between Japan and Latin America and Tokyo is also keen in becoming involved in the idea of building a sea level canal in Panama to replace the present waterway.

Some bankers are beginning to suggest that the place is becoming saturated with banks. But as long as money continues to be recycled Panama's position is assured. And thanks to the Falklands crisis, which resulted in a transfer of an estimated \$2.5bn from the UK and the U.S. to Panama by Argentine, Venezuelan and Peruvian banks, many bankers believe that Panama has a stronger future.

One European banker commented, "The amount is not so important, since money flows in and out of here. The point is that it cannot leave and this can only boost confidence."

Numbered accounts can be set up in any currency.

The establishment of international banking facilities in the U.S. last December has not

posed the threat which Panama feared it might. All offshore business in Panama is exempt from tax, unlike in the U.S., and there is monetary security too since the U.S. dollar is the country's legal tender, although for nationalistic reasons it is referred to as the balboa in book-keeping.

Bankers also take heart from the fact that there have been no changes in the 1970 banking law, the cornerstone of the sector, and they thus feel confident that the status quo is unlikely to be altered very much if at all.

Capital base

However, the National Banking Commission, which vets all new applicants and keeps an eye on the banks' activities, has mooted the idea of increasing the capital base of banks. At the moment, it is \$1m for the majority of banks with a general licence and \$250,000 for banks only concerned with offshore business.

But the bankers, represented in their own association, oppose the idea on the grounds that once the 1970 law is altered it will set a precedent for other changes and make banks nervous.

Sr Mario de Diego, the commission's head, explained that while the law would probably not be changed, some banks had been asked on an individual basis to increase their capital.

Having built up a very solid reputation, Panama is anxious to preserve it. The commission, always tough on who it allows in, is taking a harder look at new applicants.

The Commission is also treading on delicate ground in its attempt to compel those banks with a general licence to put up a \$20m bond issue every two years at a margin of three per cent interest for the depressed agricultural sector. The Legislative Assembly has drawn up a draft law to this effect and it only lacks the signature of the President

before coming into effect. The banks fiercely oppose the idea of being forced to invest in the country.

The Government, on the other hand, feels that the banks have long reaped fat profits out of Panama and that they should contribute a little to the nation's well-being.

"It is really in our interests to have the peasants arrive starving in Panama City," asked a self-defined "evolutionist" banker.

According to Sr Mario Fabrega, vice-president of the bankers' association in Panama, a compromise solution has been reached whereby some support will be given to agriculture with interest rates in line with those of the World Bank.

But as far as obtaining commercial credit, Panama has no complaints. With so many financial institutions at its feet, the Government has no problem raising commercial loans, despite the unsettling size of its external debt which stands at \$2.6bn.

When the Falklands dispute was raging and banks were weary of lending to Latin America, a loan to the Republic of Panama was over-subscribed by \$100m, ending at \$225m. Panama paid 1 1/2 per cent over Libor, one quarter per cent more than a year ago, but still very good.

Bankers are impressed by the way the Government manages its debt and has succeeded in bringing it down from 72.9 per cent of GDP in 1978 to 62 per cent at end 1981. At the same time that the banking sector is expanding, a small money market and foreign exchange operation is growing as well as a reinsurance market. The London-based broker firm of Marshalls took over Fultons Panamanian operation in June. Banks do not really need brokers by their side in Panama, but it does save them time and money to have them there.

W. D. C.

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PANAMA III

Historic waterway struggles to keep pace with maritime traffic forecasts, as David Gardner reports.

Concern over canal's capacity problems

PANAMANIAN guidebooks and tourist handouts seldom make mention of the Panama Canal without adding the gushing comment that the canal is "often described as the eighth wonder of the world."

Historically a unique piece of engineering and built at great human and financial cost, "Teddy Roosevelt's canal" is indeed an imposing sight. But there is growing concern in Panama lest the waterway go the way of the other seven wonders and become of interest primarily to historians and tourists.

Rising costs

The root of the problem is capacity. The 80 km-long canal has three groups of locks to raise or lower ships the 26 metres above sea level that the canal reaches at its highest point. The maximum size of vessel these locks can currently handle is 67,000 dwt—the so-called Panamax size. At a time of rising energy costs, the use of bulk cargo carriers of up to 250,000 dwt taking the longer route round Cape Horn works out cheaper than using the canal.

The second capacity problem concerns the number of transits the canal can accommodate. When the 1977 Torrijos-Carter treaties (setting up a joint U.S.-Panamanian administration, the Panama Canal Commission, to run the waterway until the end of the century) came into effect in 1979, the canal could take 37-38 ships a day. Bottlenecks became frequent, with back-

logs of up to 180 ships having to wait passage for between three and five days.

This "sent a chill through the shipping industry," recalls Mr. Dennis McAuliffe, the Canal Commission administrator, and induced the operating company to step up capital expenditure, which since then has averaged between \$30m-\$35m a year, in addition to an annual outlay of some \$60m-\$80m on maintenance.

More capacity has been eked out, now standing at an average 42 ships a day, and expected to rise to 44 ships a day when the capital improvements programme is finished early next year.

Additional capacity will come from the loss of Alaskan North Slope oil tanker traffic, which will switch to using the new Trans-Panamanian oil pipeline to the west of the canal when it comes on stream in September.

The view is that on this basis the canal will keep pace with maritime traffic forecasts early or mid-1990s.

The two main alternatives being canvassed on what should happen then are to build a new sea-level canal, some 10 miles west of the current waterway, at a cost of over \$20bn, or to expand the existing canal, primarily by building two new and larger sets of locks at the Atlantic and Pacific terminals, and by widening and straightening the Gaillard Cut (originally and appropriately called "the Snake"). The cost of the expansion plan would be \$2bn-\$3bn.



The canal earned a record \$303m in toll revenues in the fiscal year ending last October

This more modest option could accommodate vessels of up to 170,000 dwt, on a par with the Suez Canal, according to Mr. McAuliffe, or up to 250,000 dwt, in the view of Lopez Moreno, the Panamanian engineering company which last year did a preliminary study of the expansion plan. Under it, an extra seven ships a day could complete the average 16 hour transit, keeping capacity in line with demand. The Canal Commission believes until about 2005.

Any decision depends on a more detailed estimate of the volume of world trade towards the end of the century, and the size and shape of the merchant fleets and

ports that serve it, than currently appears to exist. An additional problem, discussed in a separate article on foreign policy, is the frequent tension between the Panamanian and U.S. Governments over the Canal Treaties.

The U.S. view of the future, as expressed in last year's annual report to Congress on the Canal Treaties, is that "traffic forecasts do not support the sense of urgency advocated by Panamanian representatives for immediate decisions regarding such a major expansion of the canal."

Nevertheless, the long lead-times involved in any expansion project—up to 10 years in the case of a new sea-level waterway—mean that a decision has to be made soon. Last month, Panamanian pressure and Japanese enthusiasm finally persuaded the U.S. to give its blessing to a feasibility study for sea-level canal. The study will also examine the alternative expansion plan.

The Panama Canal Treaties commit the U.S. and Panama to exploring alternatives to the present canal, although the U.S. has so far been reluctant to do so. From the U.S. point of view, only 6 per cent of its maritime traffic goes through the canal. Even Panama's advantage, 62 per cent of all traffic originates in the U.S. and 31 per cent is on its way to the U.S. In the case of Japan, the canal's second largest user, only 4.6 per cent of waterway traffic originates

there, though 21.2 per cent has Japan as its final destination.

Japan's enthusiasm for the sea-level canal is partly linked to its dependence on imported energy, making the use of ever-larger ships cheaper, but it is mostly the desire to be in on the huge financing requirements and the actual building of a new canal.

The huge financing needs of a new sea-level waterway, which would inevitably require, multilateral funding, makes the less ambitious expansion plan the more likely starter.

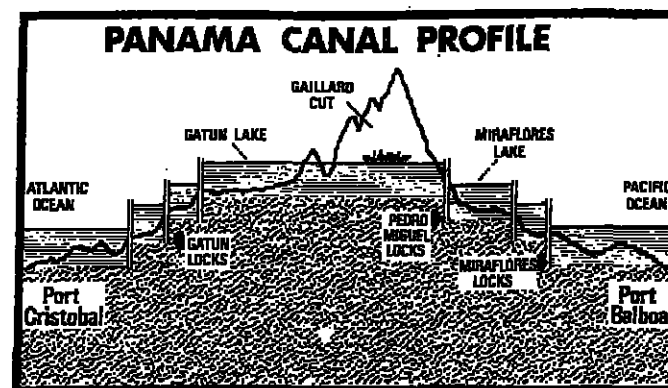
In the meantime, the canal's hold over transistman traffic is far from secure. The new oil pipeline, from Puerto Armuelles in the Pacific to Bocas del Toro on the Atlantic/Caribbean side, will siphon off \$55-60m a year in canal revenue when work-

ing at full capacity of 50,000 barrels an hour, probably by the middle of next year.

Toll revenue for the eight months to May in the current fiscal year has again risen, to \$215.3m against \$200.6m in the same period in 1980-81. Over the full fiscal year, revenue should reach a new peak of some \$320-325m. Next year this figure will fall, whether or not the Commission goes ahead with the planned 9.8 per cent toll increase from October, which would in any case offset less than half the lost North Slope oil traffic.

A further challenge already in place is Mexico's railway "landbridge" for moving containers across the isthmus of Tehuantepec.

Potentially more serious threats, in the view of Sr. Fernando Manfredo, the canal



deputy administrator and the senior Panamanian in the Panama Canal Commission, come from a whole range of transshipment technologies now available—and not only, clearly, to Panama. Slurry pipelines for example, to transport coal, coke and minerals propelled by water, or grains pipelines using air propulsion, could be built elsewhere in Central America or southern Mexico.

In this context it is worth noting that coal and grains, along with crude oil, are the three main cargoes through the canal. Of last year's tonnage of 189.4m Panama Canal net tons (1 per cent=100 cu ft of cargo carrying capacity), 36.4m was crude oil, 21.6m was coal, and 32m was grains. This certainly goes a long way to explaining Panama's sense of urgency in wanting to explore all the possible alternatives to the existing canal, before its competitive edge becomes irredeemably blunted.

Colon project: a showpiece of the Panamanian economy

Investment soars in trade zone

MORE THAN a decade of uninterrupted growth has made the Colon Free Trade Zone, along with the canal and the offshore banking sector, the showpiece of the Panamanian economy. Turnover last year reached a record \$4.4bn, ten times the 1970 figure and nearly twice the total turnover of 1978, the last complete trading year before land previously under U.S. control was handed back for free trade zone use under the 1977 Canal Treaties.

Added value generated inside the zone has nearly doubled from \$117.7m in 1978 to \$207.5m last year — and the Colon complex now accounts for just over 4 per cent of Panama's Gross Domestic Product (GDP). Investment in the zone, both public and private, has leaped. In the 1970-78 period a total of \$20.6m was invested. Since the Canal Treaties came into effect in October 1979 nearly \$75m has been poured into the zone as part of a \$133.3m development programme, about half the funds for which are being provided by the World Bank and a consortium of Japanese banks.

Expansion

The 1,000 sq km released to Panama under the treaties opened the possibility of major expansion for the free trade enclave, tucked into 94 overcrowded acres at the bottom left hand corner of Colon's Manzanillo Bay. Under the current plan:

• The zone's commercial operations are spilling over to 300 acres of new land at France Field across the bay. The new area is already one third occupied by new zone users, while at a later stage the two zones will be linked across land reclaimed from the inner bay area known as Polk River.

• Work on the infrastructure of a new industrial estate on 200 adjacent acres is well advanced. Three companies — from the U.S., Brazil and Hong Kong — are to start putting up the first assembly plants there in November and expect to be operational by June next year.

Yet the zone is having its problems. It suffered the first casualty of its 34-year existence last month when Miramar, a company producing cubic zirconia — a semi-precious stone used for imitation diamond jewellery — ceased trading after accumulating losses put by the company at "close to \$3.5m" over the past three years. The collapse in the price of finished stones from \$25 a carat to \$0.65 was the main

element in Miramar's demise. But the company was one of the first industries to be set up in the zone, with a \$3.5m state credit under a Government scheme to promote labour-intensive light assembly operations. The company's closure is a blow to the credibility of the scheme, known as Maquila and consciously modelled on Mexico's experience in setting up in-bond light assembly operations on its border with the U.S. — and its ability to generate employment.

The Maquila scheme has managed to attract only four plants to Panama in three years — making tuna fish nets, brassieres and knitwear, and processing shrimps imported from India. It has three Italian companies — producing marble products, shoes and hi-fi equipment — in the pipeline, however.

On the commercial side the wave of devaluations in Latin America over the last six months has meant that many of the zone's 600 operators are having trouble getting paid. Nearly two-thirds of last year's \$2.35bn exports went to Latin American markets — principally, Venezuela, Chile, Ecuador and Argentina. Traditionally large stocks are being run down and some companies are believed to be facing severe cash-flow problems. A group of Asian traders of long-standing in the zone said quite simply: "Nobody is buying anything."

The trade zone management believes, nevertheless, that at the present rate of expansion employment by 1985 will have doubled from 1980 levels. According to management figures the number of jobs in the zone rose from 9,490 in 1980 to 11,019 at the end of last year. Preliminary figures show a small net loss this year, so an average — and at the moment unrealistic — total of 3,000 jobs a year will be needed to meet its target. The creation of jobs is a vital element in establishing the trading emporium's social legitimacy, living, as it does, cheek-by-jowl with the worst slum in Panama.

Colon has the highest unemployment, crime and infant mortality rate of urban Panama. One in three males is without a job and the local unions remain to be convinced that the free trade zone can materially alter this. Over 3,000 zone jobs, for example, are casual. By management's calculations these jobs are equal to only 750 full-time posts.

Some account of this at the moment only sporadically

explosive situation is taken in the apportionment of the \$133m development funds, exactly a third of which are earmarked for refurbishing the decaying inner areas of Colon, much of them made up of precarious wooden housing, punctuated by corrugated iron and packing case sheds and barracks put up early this century to house the workers that dug the Panama Canal.

Indeed this large pool of cheap surplus labour — 100,000 in Panama as a whole — is sold as one of the chief attractions of the zone. According to zone management projections labour costs in Colon will over the next three years be one seventh of U.S. labour costs, a quarter of Mexico's and a third of Hong Kong's.

Moves to boost the tourist industry

PANAMA is nobody's synonym for tourism. Yet Panamanian tourism earns as much foreign revenue as the country's five main agricultural and fisheries exports (bananas, sugar, shrimp, coffee and fishmeal, in order of importance) put together.

The sector's contribution to limiting Panama's climbing current account deficit is important but declining, partly because of the growth in spending by Panamanians abroad but mostly because of the more than doubling of Panama's traditional trade deficit over the last five years: from \$493.5m in 1977 to \$1,035m last year. In 1977 net earnings from tourism covered 28 per cent of this deficit; last year, this coverage had shrunk to 10.3 per cent.

The pall of violence overhanging Central America extends in tourist, if not political, terms to Panama. After a period of selling the region as another, and cheaper, Caribbean, the tourist industry has largely dropped Central America from its catalogues.

The number of visitors to Panama has begun to slide.

The other selling points include near-comprehensive international banking services, no taxes beyond a maximum 8 per cent income tax, a modern infrastructure (ports and container terminals upgraded at a cost of \$50m, a new airport just over an hour away, potentially unlimited and cheap warehousing space on former canal lands) and, of course, Panama's unique resource, its position.

Everything is in place for new traders and light manufacturers to use these resources to consolidate otherwise fragmented world markets. Whether they do or not will clearly depend on what happens in those markets rather than anything more that Panama can provide.

D.G.

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PANAMA IV

William Chislett examines Panama's amazingly fragmented political scene

Political activities hotting up rapidly

FEVERISH POLITICAL activity is taking place as 13 parties in an electorate of barely 800,000 prepare for the 1984 presidential and general elections, the first since the 1968 coup which brought the late Gen Torrijos to power.

The battle lines are not yet drawn up, as the political scene is amazingly fragmented. There is the official Democratic Revolutionary Party (PRD), formed in 1979; several centrist parties, such as the Christian Democrats and the Liberal Party; the Panamanista Party, run by the legendary octogenarian populist Dr Arnulfo Arias (his third and last Government was ousted in 1968, after only 11 days in office); then there are Left-wing parties like the People's Party, the mainline Communist Party, which supports the PRD. Moves are afoot to try to form a united opposition front to the PRD, which would exclude the Left.

According to a Gallup associated opinion poll, carried out last month in Panama, only 28 per cent of the electorate would vote for the PRD if elections were held now—despite the party's privileged position of working from within the state apparatus. Half the electorate is undecided, which is hardly surprising given the alphabet soup of political parties, or "social clubs" as those parties which are little more than a handful of personalities are scornfully called. The poll also confirmed the widely held view—and the Government's nightmare—that if an opposition front is formed around the charismatic figure of Dr Arias, then it stands a good chance of beating the PRD.

The PRD is very much modelled on Mexico's long-ruling and broadly-based Institutional Revolutionary Party. The PRD was conceived as a vehicle to legitimise the incongruous political bureaucracy formed since 1968 and to avoid political extremes. Marxists, social democrats and some businessmen make up the party's ranks. While Gen Torrijos was alive, the PRD managed to maintain a semblance of unity since nearly everybody respected his decisions. But his death has brought the divisions right out into the open.

Sr Ernesto Perez Balladares, the remarkably frank secretary-general of the PRD, said that, ideally, the party should elect its presidential candidate by holding a series of primaries representing the various tenden-

cies. But if this happened, the party ran the risk of disintegrating because of intense infighting in the ranks.

"We cannot allow ourselves this luxury at the moment," he said.

The candidature of Gen Paredes, the head of the National Guard, would, as a result, be almost certainly imposed upon the party since he was the only man capable of maintaining a consensus.

The PRD is suffering from the unpopular measures which the Government is having to carry out as the economy slows down. A serious revenue shortfall makes it impossible to carry out expansionist (and vote-catching) policies. And the PRD cannot distance itself very much from the Government—in whom it owes its patronage—without weakening the party further.

The PRD has resorted to the totalitarian practice of demanding party membership as a condition for new employment in the public sector. Sr Perez Balladares claimed that this practice had now ended since "anybody can join the party and then vote for another. We have to win people's respect."

He said that only one-in-four people in the 130,000 strong public sector were PRD members and a further 160,000 people outside Government.

At the same time, there is good reason to suspect that the Government is increasing the divisions among the opposition parties by exercising undue influence on the electoral tribunal.

The tribunal, headed by the brother of Colonel Noriega, the chief of military intelligence and the next-in-line to head the

National Guard, if Gen Paredes enters the political arena, has accepted the registration of two parties, with the party name of Panamanista. One is a break-away movement, allegedly encouraged by the Government, and the other is the main sector, headed by Dr Arias.

Dr Arias's colleagues say that he reluctantly registered his party after he was told by the tribunal that if he did so, the other party would be declared illegal. But having registered, and despite the fact that most of the signatures presented by the breakaway group were forged, no decision has yet been made as to which party will carry the name Panamanista.

And to complicate matters, the Supreme Court has ruled that the method used by the electoral tribunal to declare

that the signatures were forged, was incorrect. The whole surreal procedure smacks of a crudetrick to weaken Dr Arias and confuse the electorate.

The Government and the National Guard are still terrified of Dr Arias. The opposition parties, particularly the Christian Democrats, hope to cash in on this fear and persuade him to throw his support behind a common candidate, but not to run himself because the arduous campaign would wear down his frail health.

"He is still a tremendous vote-catcher," comments Sr Ricardo Arias Calderon, the Christian Democrat leader.

The guard is afraid of Dr Arias because every time he was president he tried to change its high command and reduce its political influence.



The ambitious former vice-president, Sr Ricardo de la Esparilla, who became President at the end of July, succeeding Sr Aristides Royo, whom the late Gen Torrijos had hand-picked to be president.

General Paredes—the man to watch

GENERAL Rubén Darío Paredes, the new head of the National Guard, is the man most talked-about as the likely presidential candidate for the official Revolutionary Democratic Party (PRD), when free elections are held in 1984 for the first time in 16 years.

The 49-year-old general, who seized the command from Colonel Florencio Flores in March after an internal coup, is expected to retire from the Army within a year and be nominated by the PRD.

Regarded as the political heir of General Omar Torrijos, the country's strong man who died a year ago, General Paredes is, like General Torrijos, an enigmatic figure.

Had Torrijos lived, his closest aides say that he would not have run for president. However, he wanted to remain the power behind the throne. He would

have done this by selecting a civilian to be the PRD's candidate.

But with General Torrijos dead and with the guard still very much the main power centre, the star of the ambitious General Paredes has risen. Gen Paredes called last month for the elections to be brought forward. The PRD, furthermore, believes that at this moment General Paredes is the only man, civilian or military, with the charisma and capacity to maintain the consensus policies of late General Torrijos and all the power vacuum left by his death. The PRD, formed in 1979, is a deeply divided party.

General Paredes is the only military man with direct administration and political experience. He was Agriculture Minister in the 1970s.

After studying at the military academy in Nicaragua under the Somoza dictatorship, he worked his way up through the ranks. At the time of the 1968 coup he

was head of the Colon military zone, the key area near the canal.

In 1969, he was with General Torrijos at the horse races in Mexico City when a group of colonels tried to oust General Torrijos in his absence. General Paredes returned with General Torrijos to Panama and triumphantly marched on Panama City against the rebellious colonels.

Great emphasis has been placed on the anti-communist tone of some of General Paredes' recent speeches. They have been well received in Washington, which regarded General Torrijos as too progressive.

General Paredes' aides refute that he is playing an anti-communist card and say that he will continue the finely balanced middle path started by General Torrijos.

W.D.C.



Gen Rubén Darío Paredes, the man most talked-about as the likely presidential candidate of the official Revolutionary Democratic Party.

Panama is once again at the centre of attempts to resolve the daily more volatile problems of the Central American region, as David Gardner reports.

Ambitious foreign policy aims to ease Central American conflicts

"I DON'T want to get into the history books; I want to get into the Canal Zone," is perhaps the best-known of the many pithy remarks attributed to Omar Torrijos, the populist general who died in a plane crash last year after dominating Panama for more than a decade as nobody else had done throughout the small Isthmian republic's chequered history.

It was Torrijos' successful prosecution of this aim—the deeply-felt national aspiration to recover from "yankee imperialism" the 1,000 sq km of Canal Zone land that bisects the country—that first gave Panama a place on the world stage quite disproportionate to its tiny size.

Although much of this international projection was bound up with Torrijos' own engaging and forceful personality, Panama after his death is still playing a key regional role, notably through its mediation efforts in the rapidly escalating Central American conflicts.

Torrijos' solution to a foreign policy problem was to internationalise it, bringing to bear the support of other regional and non-aligned nations with potentially common interests.

Thus, when Panama fell out with United Brands in the early 70s, Torrijos successfully mobilised other regional banana producers for the subsequent "Banana War" in 1974, which led to the setting up of the UPEB (Union of Banana Exporting Countries).

His appetite whetted by this early success against the might of the U.S. fruit companies, Torrijos then took on Washington over control of the Canal zone. This was no easy task, bearing in mind the presence of 10,000 troops of U.S. Southern Command in Panama, 10 U.S. military interventions in Panama this century, the last of them in 1964, and the passions aroused in the U.S. during the Canal Treaties negotiations—not least by Ronald Reagan.

But Torrijos was able to convert an issue of Panamanian sovereignty into a Pan-Latin American aspiration. Panama won prestige internationally—including grudging respect from Jimmy Carter's Washington—and equally important, a high degree of social cohesion at home. Rarely has a banner of national unity have been waved to such effect.

Torrijos followed through with an activist regional role which won wide popular backing at home. Panama's logistic and diplomatic support for Nicaragua's Sandinista National Liberation Front, which played a critical role in the revolutionary successful efforts to defeat the 40-year-old dictatorship of the Somoza family, is the clearest cut example of this role. But here as elsewhere, Panama did not act alone, but in concert with other nations of the region, principally Venezuela and Costa Rica.

Since then the situation in Central America has deteriorated rapidly. Following the election of President Reagan in November 1979, Panama was at the centre of a last-ditch attempt to resolve the bloody conflict in El Salvador by negotiation. The initiative, the so-called Carter six-point peace plan of December 1979, was originated by Torrijos.

The Carter plan foundered, the Panamanians believe, on the intransigence of Cuba, which encouraged the Salvadorean guerrillas to go ahead with their abortive "final offensive" of January 1981, in order to strengthen its own negotiating hand against the incoming Reagan Administration.

The move backfired and indeed helped Washington in its efforts to get Cuba ostracised in Latin America, and to underline its thesis that the civil wars in El Salvador and Guatemala and the Sandinista revolution were simply the latest chapter in the East-West super-power conflict.

Panama is again the centre of attempts to resolve by negotiation the daily more volatile Central American conflicts, with an ambitious plan which stands apart from previous attempts to bring peace to the area in that it contains not a single original proposal.

Principal aims

On the contrary, the initiative attempts to synthesise into the basis for a negotiated consensus the declared policy aims of the principal regional powers (the U.S., Mexico, Cuba and Venezuela), and the Central American countries involved. The proposals, contained in a 32-point working paper drawn up at the end of April, have as their principal aims:

- To secure a system of non-aggression pacts between the Sandinista Government in Nicaragua and the U.S. and between Nicaragua and its neighbours in the U.S.-backed, and increasingly hostile Central American Democratic Community (Honduras, El Salvador, Costa Rica, and from July 6, Guatemala);
- To promote a negotiated solution to the civil war in El Salvador;
- And to open a process of détente between the U.S. and Cuba.

The proposals draw on 14 different sources from eight countries ranging from President Reagan's February 24 address to the Organisation of American States (OAS) to the February 22 exchange of letters between President Fidel Castro of Cuba and President Jose Lopez Portillo of Mexico.

Thus, point 6 in the working paper, which seeks to guarantee the territorial sovereignty and frontiers of the Central American states, to prevent hostile armed groups using a neighbouring state's territory as a sanctuary and to control the arms traffic which sustains them, amalgamates Honduran,

Panamanian and Mexican proposals with the Sandinista's approach to Washington in February and the U.S. reply through its ambassador in Managua in April—the last-known major diplomatic contact between the two sides.

But the Panamanian attempt to hold the conflicting regional forces to their stated policy aims looks like being swamped by the increasingly violent turn of events. Last month's commitment of Honduran troops to cross-border action against the Salvadorean guerrillas in Morazan province, and the more than 20 clashes between U.S./Honduran backed anti-Sandinista forces and the Nicaraguan army in the last six weeks are pointing the way towards a rapid escalation into a regional conflagration.

Panama, for all its relative stability, would be lucky to escape the consequences of such an outcome. Its efforts have however made some headway. Last month, the first, and secret, prenegotiations between El Salvador's contending forces took place in Panama. In May, the Panamanians secured approval of a 14-point refinement of their proposals from the Presidents of Venezuela, Colombia, Honduras and Costa Rica, a senior Sandinista representative, and the Prime Minister of Belize.

The shift in regional alliances that has emerged in the aftermath of the Falklands conflict also tilts the balance slightly in favour of negotiations. Venezuela for example, which had hitherto stood four-square behind Washington on Central America, has given the plan enthusiastic backing. Cuba, which enthusiastically backed the Sandinista cause, has also indicated that it is ready to moderate its position as it integrates into Latin America in the expectation of backing for its attempts to normalise relations with Washington.

Panama itself however, in the vacuum left by Torrijos, tends increasingly to speak with more than one voice on foreign policy issues. This is partly through fear of the eventual outcome in Central America, and partly because of an unresolved struggle for power between the civilian executive and all-powerful National Guard at home.

For example, when former President Royo argued publicly that Panama should send troops to back Argentina's claim to the Falklands, General Ruben Paredes, the head of the National Guard, following a palace coup in the spring, stated categorically that Panama had precisely the requisite number of troops to defend the canal—with no surplus for foreign adventures.

Equally, Sr Royo had strongly backed the joint Panama-Venezuelan initiative for a Latin American security conference—excluding the U.S.—in the wake of Washington's support for

Britain in the Falklands. Gen Paredes on the other hand, said in a much publicised statement that appeared to echo similar sentiments expressed by Gen Wallace Nitting, head of U.S. Southern Command, that the Panamanian armed forces needed more, not less, integration with U.S. forces.

These contradictions have multiplied on the domestic front. Here too, economic stagnation, mounting unemployment, and spending restrictions forced by falling tax revenue and increasingly unmanageable foreign indebtedness, have tempted Panama into ritual denunciations of the U.S. in a bid to try and revive the sense of national cohesion that was such a feature of the period leading up to the canal treaties.

Grievances

The Panamanians, however, do have genuine grievances over the Treaties. The enabling legislation passed by the U.S. Congress on the eve of the setting up of the new joint administration (Public Law 90/78), which actually makes the U.S.-Panamanian more accountable to Congress, cuts a swathe through the spirit of the Treaties.

Under this law, the U.S. Federal Labour Relations Authority (FLRA) actually conducts trade union elections among Panama Canal Commission employees in May 1981. Though no doubt within the letter of the Treaties, the move provoked a bitter response from Panama, which regarded it as a major diplomatic affront. Equally, the Panamanians have a strong case when they argue that any use of the 14 U.S. Southern Command bases in the country to intervene in neighbouring countries—if in fact the bases are part of such intervention—is a clear violation of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, as well as the Protocol to the Treaty signed by 17 countries.

But many of Panama's objections appear more designed to reforge a sense of national purpose and look increasingly transparent. This sense of drift is hardly surprising. Torrijos was able to combine support for the Sandinistas with friendship with Carter. While taking on the U.S. fruit companies he created the conditions for the largest offshore banking centre in the Americas. While giving strong backing to reform-minded officers in the Salvadorean and Honduran armies—support which extended to trying to plan a coup in the former case—it was Torrijos who gave refuge to the Shah of Iran at Washington's behest.

Even in this one of his most controversial actions, Torrijos' all-encompassing pragmatism, shown through: "Three thousand years of empire reduced to 10 people and a dog," was his comment after his only meeting with the Shah. A hard act to follow in more ways than one.

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John Colson

BBC 1

4.55 am Open University (Ura High Frequency only).
9.30 Hong Kong Phooey. 9.30 January. 9.45 Paddington.
10.10 Why Don't You... 10.15
10.20 Think Backwards. 1.00 pm
New Afternoon. 1.30-1.45 Post-
mat. 3.40 Home on Sunday.
4.18 Regional News for England
(except London). 4.20 Play
School. 4.45 Heyry. It's the King.
4.55 John Craven's Newsround.
5.05 Jek to Ride. 5.35 The
Perkins.
5.40 News.
6.00 Regional News Maga-
zine.
6.25 East of the West, starring
Jel Higgins.
6.50 Gmic Roots: Roy Hudd's
Coydon.
7.20 Deter Who and the
Masters.
8.10 Panorama.
8.20 News.
9.25 The Monday Film: "A
Guide for the Married
Man" starring Walter
Mathau and Robert
Meyers.
10.55 BA in Music: B. A.
Robertson introduces his
latest show.
11.28 News Headlines.
11.30 Taking the Strain: Noel
Edmonds investigates
stress.

All IBA regions as London
except at following times:

ANGLIA

9.35 am European Folk Tales. 9.45
The Adventures of Nick. 10.15 The
Galaxy Way. 11.30 North Sea Saga.
11.50 Captain Momo. 1.20 pm
News. 1.30 Monday Film: "The
Cry from the Streets" starring
Ma. 2.00 News. 2.30
6.30 Benson. 9.00 Minder. 10.30
Indoor Bowls. 11.15 Thriller. 12.40 am
Reflection.

BORDER

9.30 am History of the Motor Car.
9.55 Vicky the Viking. 10.15 Untamed
World. 10.40 Flying Kwik. 11.00 Roses
Cricket: coverage of the match between
Lancashire and Yorkshire from Old
Trafford. 1.20 pm Border News. 2.30
Roses Cricket. 5.15 Private Benjamin.
6.00 Lookaround Monday. 6.15 Cam-
paign: Burma 1944. 6.30 Try
for Tan. 10.30 Thriller. 11.50 Border
News Summary.

CENTRAL

9.45 am The Galaxy Way. 10.45
Bailey's Bird. 11.10 Venture. 11.35
Sitting. 1.20 pm Central News. 2.30
The Monday Screen Machine: "Battle
Beneath the Earth". 6.15 Survival.
6.50 Central News. 9.00 Minder. 10.30
Contrasts. 1.05 Lou Grant. 12.05 am
Come Close.

CHANNEL

1.20 pm Channel Lunchtime News.
What's On Where and Weather. 2.30

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read.
9.00 Simon Bates. 11.00 Dave Lee
Travis. 12.30 pm Newsbeat. 12.45 Paul
Burnett. 2.00 Steve Wright. 4.30 Paul
Powell. 7.00 Stayin' Alive. 8.00 David
Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Don Durbridge (S). 7.30
ay Moore (S). 10.00 Jimmy Young
(S). 12.00 Gloria Hunniford (S).
1.00 pm Ed Stewart (S). 4.00 David
Minton (S). 5.45 News: Sport. 6.00
hh Dunn (S). 8.00 Folk on 2 (S).
9.00 Humphrey Lyttelton with the Beat
Jazz (S). 9.55 Sports Desk. 10.00
Law Game. 10.30 Star Sound.
10.30 Brian Matthew presents Round
Night (stereo from midnight) and
12.05 Sports Desk. 1.00 am Encore

TELEVISION

Tonight's Choice

There are not many laughs in Croydon but Roy Hudd will probably extract a few when he goes back there in the Comic Roots series about how comedians started (BBC1 6.50). Panorama investigates the IRA men who find refuge in Eire and the U.S. Best on BBC2 could be Turns in which Jimmy Perry, writer of Hi-De-Hi recalls the variety theatres of the '30s and '40s. Sometimes it seems that the only film to survive from the Music Hall is of Wilson, Keppel and Betty—it will be good to see more.

ITV, in Thames at least, is screening Frenzy, made in 1972 by Alfred Hitchcock in London. Since most of the scenes were set in Covent Garden it will seem as historical as some of the master's 1930 epics. Earlier A. J. Wentworth BA continues. The original stories are classics but, despite Arthur Lowe, there is a lack of style about the series.

Radio 3 celebrates two anniversaries—those of Philip Larkin and Solomon. Larkin is honoured with a sequence of poetry and jazz, featuring Bessie Smith among others, and on his 60th birthday. Solomon plays on record Scarlatti, Haydn, Chopin and Beethoven to mark his 80th.

ANTONY THORNCROFT

BBC 2

6.40-7.55 am Open University.
10.30-10.55 Play School.
5.10 The Interview.
+5.40 Laurel and Hardy in "Me
and My Pal".
6.00 The Waking Policeman.
6.05 The World About Us.
6.55 Six Fifty Special.
7.25 News Summary.

The Monday Matinee: "The Jokers".
5.15 Here's Boomer. 6.00 Channel
Report. 6.15 Sunplay. 6.30 Happy
Days. 9.00 Lou Grant. 10.28 Channel
Late News. 10.30 Jourduhul.
10.40 Thriller. 12.00 News
and Weather in French.

GRAMPIAN

9.30 am First Thing. 9.35 Sesame
Street. 10.35 Children's Morning
Matinee: "The Grizzly and the Trou-
sers". 1.20 pm North News. 2.30
Monday Matinee: "East of Sudan".
6.00 Summer at Six. 6.30 Pro-Celebrity
Angling. 9.00 Minder. 10.30 Feature
Film: "Neither the Sea Nor the Sand".
12.15 am North Headlines.

GRANADA

9.30 am The History of the Motor
Car. 9.55 Sport Billy. 10.10 Untamed
World. 10.35 The Flying Kwik. 10.55
The Roses Match. 1.20 pm Granada
Reports. 1.30 Exchange Flags Promo-
nades. 2.00 About Britain. 2.30 The
Roses Match. 5.15 The Two of Us.
6.00 The Roses Match. 6.30 Granada
Reports News. 6.35 The Summer Show
and Strangers. 10.30 Thriller. 11.45
Superstar Profile.

HTV

9.55 am Beechcombers. 10.20 Kum
Kum. 10.40 Clapperboard. 11.05 Vicky
the Viking. 11.30 The Greatest
Thinkers. 1.20 HTV News. 12.30 Mon-
day Matinee: "All Night Long" star-
ring Patrick McGeehan. 4.15 Warner
Brothers Cartoon. 5.15 Mr Merlin.

RADIO

5.00 am As Radio 2. 7.00 Mike Read.
9.00 Simon Bates. 11.00 Dave Lee
Travis. 12.30 pm Newsbeat. 12.45 Paul
Burnett. 2.00 Steve Wright. 4.30 Paul
Powell. 7.00 Stayin' Alive. 8.00 David
Jensen. 10.00-12.00 John Peel (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05
Morning Concert (S). 8.00 News. 8.05
Morning Concert (continued). 9.00
News. 9.05 This Week's Composer:
Frank Bridge (S). 10.00 Collegium
Aureum (S). 10.55 Anthem by Ebdon
and Camidge (S). 11.35 John Field
Piano Concerto (S). 1.00 pm News.
1.05 Handel's and Paganini (S). 2.00
Matinee Musicale (S). 2.55 New
Records (S). 4.55 News. 5.00 Mainly
for Pleasure (S). 6.35 Music for Organ
(S). 7.00 Plants, Genes and Numbers:
An appreciation of genetics and sta-

LONDON

9.30 am Sport Billy. 9.50 Do We
Really Need the Rockies? 10.45
Crazy World of Sport. 11.10
Little House on the Prairie. 12.00
Cocklesell Bay. 12.10 pm Rain-
bow. 12.30 Under Fives. 1.00
News. plus FT Index. 1.20
Thames News with Robin
Houston. 1.30 Van der Valk. 2.30
Monday Matinee: "The Blue
Lagoon" starring Jean Simmons
and Donald Houston. 4.15 Dr
Snuggles. 4.20 Ragdoll. Anna.
4.30 Rowan's Report. 4.45 Watch
All Night. 5.15 Different Strokes.
5.45 News.
6.00 Thames News with Rita
Carter and David Bellin.
6.25 Help! Community action
with Viv Taylor Gee.

6.35 Crossroads.
7.00 The Krypton Factor.
7.30 Coronation Street.
8.00 A. J. Wentworth, BA.
8.30 World in Action.
9.00 Quincy starring Jack
Klugman.

10.00 News.
10.30 "Frenzy" starring Jon
Finch, Alec McCowen and
Barry Foster.
12.35 am Close: Sit Up and
Listen with Stan Phillips.

† Indicates programme
in black and white

9.30 Staying Alive. 9.00 Minder. 10.30
East News. 10.30 Soap. 11.00 Police
Story. 11.05-11.20 am Bailey's Bird.
11.20-11.30 am Dace. 11.30-11.40
Y Dyed. 6.30-7.00 Rapunzel. 11.00
Noworthill Rec Ser. 12.00-12.30 am
The Amazing Years of Cinema.

TYNE TEES

9.20 am The Good Word. 9.25 North
East News. 9.30 Hands. 9.55 Sesame
Street. 10.55 Roses Cricket: Lancashire
v Yorkshire. 1.20 pm North East News.
2.30 Roses cricket. 5.15 The New Ford
and Barney Show. 6.00 North East
News. 6.02 Gambit. 6.30 Northern
Lie. 9.00 Minder. 10.30 North East
News. 10.32 Thriller. 12.00 Lawrence's
Law.

ULSTER

10.10 am Sesame Street. 11.10 240
Robert. 1.20 pm Lunchtime. 2.30 Mon-
day Matinee: "Battle Beneath the
Earth" starring Kevin Mathews. 6.13
Ulster News. 5.15 Film Fun with Derek
Griffiths. 6.00 Good Evening Ulster.
6.30 Private Benjamin. 9.00 Minder.
10.25 Ulster Weather. 10.30 Welcome
Back Kitor. 11.00 Pro-Celebrity
Angling. 11.30 News at Bedtime.

YORKSHIRE

9.30 am Sesame Street. 10.30 Jason
of Star Command. 11.00 The Roses
Match: coverage from Old Trafford.
1.20 pm Calendar News. 2.30 The
Roses Match. 5.15 The Roses Match.
6.00 Calendar (Emley Moor and Bal-
mont editions). 6.35 Happy Days. 9.00
Minder. 10.30 Brass in Concert. 11.15
Journey to the Unknown.

Living. 10.30 Daily Service. 10.45 On
Holiday. 11.00 News. 11.05 own
Your Way visits Dover. Kent. 11.48
Ad Hoc Conker. 12.00 News. 12.02 pm
Yak and Yow. 12.27 What Not Jeeves.
12.55 Weather, travel, programme news.
1.00 The World at One. 1.40 The
Archers. 1.55 Shipping forecast. 2.00
News. 2.02 Woman's Hour. 3.00 News.
3.02 Afternoon Theatre. 4.30 What
Shall We Tell the Children? 4.40 Story
Time. 5.00 PM News magazine. 5.50
Shipping forecast. 5.55 Weather, pro-
gramme news. 6.00 News including
Financial Report. 6.30 Just a Minute
(S). 7.00 News. 7.05 The Archers.
7.20 Start the Week with Richard
Baker (S). 8.00 The Monday Play (S).
9.30 Kaleidoscope. 9.59 Weather. 10.00
The World Tonight. 10.30 Science
Now. 11.00 A Book at Bedtime. 11.15
The Financial World Tonight. 11.30
Music at Night. 12.00 News.

APPOINTMENTS

Waddingtons names managing director

Mr Tony Murphy, managing director of John Waddington of Kirkstall, is the new managing director of WADDINGTONS. Mr Colin Cansfield, managing director of Waddingtons Business Forms, becomes managing director of John Waddington of Kirkstall. Mr Tony Mason, previously managing director of Waddingtons, becomes managing director of Waddingtons Business Forms.

Mr Ken Forster has been appointed regional director of operations of HANDLEY-WALKER.

Mr George Richardson has been appointed to the board of SIMON ENGINEERING as finance director with continuing responsibilities for the Group's finance and corporate planning functions.

Mr Tony Morgan, sales and barley purchasing manager with MORAY FIRTH MALTINGS, has been appointed an executive director.

Mr Jim Smith, projects director, has been appointed managing director of UK-based chemical plant contractors SIM-CHEM (a Simon Engineering company) from August 1 upon the retirement of Mr Marc Hanshaw.

Mr Frank Keal, director, Davies Pritchard and Richmond has been elected chairman of the POSTAL EQUIPMENT TRADE ASSOCIATION of Great Britain succeeding Mr Paul Beecham.

Mr A. R. Matanle, deputy chief general manager, is to retire from PHOENIX ASSURANCE on December 31. Mr J. G. Fordyce has been appointed general manager (home) and Mr G. Deyes, deputy general manager (home) from October 1.

AGB Research has made the following appointments to the

board of its subsidiary, AUDI-ENCE SELECTION AND TEL-SALES. Miss Debbie Walter has been appointed research director and Mr Edmund Santy has been appointed sales director.

RACAL - DECCA MARINE NAVIGATION has appointed Mr Alan D. Wheeler technical director. He was a director of System Designers.

Mr P. A. FitzSimons has been appointed to the board of CHEF AND BREWER as a non-executive director. Mr FitzSimons is finance systems and strategy director of the brewing and retailing division of Grand Metropolitan, finance and systems director of WMTB and a non-executive director of Watney International.

Mr Brian Coe, head of marketing, has been appointed to the board of RADIO RENTALS as marketing director.

Mr Goron Cummings, formerly director of Grindlay Brandts Insurance Brokers, has been appointed managing director of CHILTERN CRAWFORD INSURANCE SERVICES.

Mr Tim Rathmell has been appointed managing director of DOWSETT PILING AND FOUNDATIONS, part of West's Group International. For the past two years he has been overseas director, having transferred from associated company West's Piling, where he was managing director of the Singapore subsidiary. Mr John Wansford, managing director since Dowsett Piling was founded in 1964, has retired.

CARLTON REAL ESTATES has made the following board changes: Mr Leo Toppin has resigned as chairman, but remains a director. Mr Graeme Jackson has been appointed chairman and Mr Richard Prickett financial director. Mr Dennis Collett has become a non-executive director.

Mr Jackson, Mr Prickett and Mr Collett are all directors of London and Manchester Securities.

THE NATIONAL FREIGHT CONSORTIUM has made two new senior financial appointments following the reorganisation of its main operating groups and the creation of a new property group. Mr J. C. H. Mellor becomes Group finance director. Pickfords Group and Mr H. Laferty Group finance director Property Group. Both appointments are from October 1.

W. A. TYZACK has made the following board changes: Mr F. H. Davies has been appointed chief executive. Mr J. A. Tyzack has become joint managing director (international) and Mr D. W. Wenninger, company secretary, financial director. Mr G. V. Gameral, commercial director, has retired.

In order to devote more time to other main board activities, Mr David Phillips has been succeeded as Group company secretary of LEIGH INTERESTS by assistant Group company secretary, Mr Derrick Armstrong.

Mr Jun Utsumi is to take over as acting managing director of OMRON TERMINALS (UK), British subsidiary of a Japanese electronic cash register manufacturer, following the resignation of Mr Peter Russ. Mr Utsumi was previously planning director.

Mr Robin Cobb, deputy chairman and managing director of Maclean-Hunter, and Mr Timothy Gold-Blyth, managing director of the Publishing Group of Argus Press, have become directors of the PERIODICAL PUBLISHERS ASSOCIATION.

SACCONE & SPEED has appointed Mr A. J. Conway as financial director. He was director, planning, analysis and control for Avis. Mr J. S. Nord-

berg becomes personnel director. He was personnel director, UK Hotels, with Grand Metropolitan Hotels.

STAFFA PRODUCTS has appointed Mr David Brewer as director of product engineering.

The SCOTTISH MILK MARKETING BOARD has appointed Mr Andrew L. Howie as chairman in succession to Mr Robert A. Lammie who has retired. Mr William Weir becomes vice-chairman, the post formerly occupied by Mr Howie.

Mr M. E. Acland has resigned from the board of MANOR NATIONAL because of other commitments. Mr T. H. Needham has joined the board as a non-executive director. He is a former local executive director of Barclays Bank.

The CALOUSTE GULBENKIAN FOUNDATION has appointed Mr Ian Reid as assistant director (Arts) of its UK branch from October 4. He is drama officer for the Greater London Arts Association, and succeeds Mr Ian Lancaster who has left the Foundation to set up his own company dealing with holography, video and computer graphics.

Mr John M. Hirst has been appointed managing director of RACAL ANTENNAS. He was deputy managing director.

The INNER LONDON EDUCATION AUTHORITY's new director of finance is to be Mr David Riggs, at present an assistant computer officer for the Greater London Council. The previous finance officer, Mr Sydney Woodman, died last December. Since then, Mr Leslie Whitman has been acting finance officer but he retires in September. Mr Riggs will have responsibility for an annual ILEA revenue and capital budget of more than £800m.

RACING

BY DOMINIC WIGAN

SOBA will be in the line-up for today's Northumberland Sprint Trophy against the advice of jockey David Nicholls, with whom she has won eight out of her nine races since her 33-1 success in a Thirsk maiden in May.

After the Stillington filly had won Saturday's Coral Bookmakers' Handicap at Haydock, her handler, David Chapman, said: "I will see how she is tomorrow morning before deciding whether to run her

in the Northumberland Sprint. She won't get a penalty for this win."

Nicholls, however, made it clear that he was against the idea of saddling the filly. "I wouldn't recommend running her because she is still young. She is only three," he said. Soba may win today's race—she will probably be odds-on to do so—but the filly's long-term, and possibly short, future might have been better served by heading her young rider's advice.

Saturday's race appeared to be an easy win. However, she has run nine times since May 8 and only 13 days ago overcame the worst draw in what is

arguably the season's toughest and most exacting sprint, the Stewards Cup.

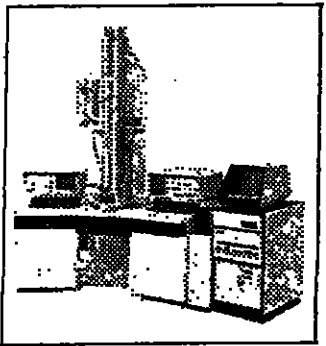
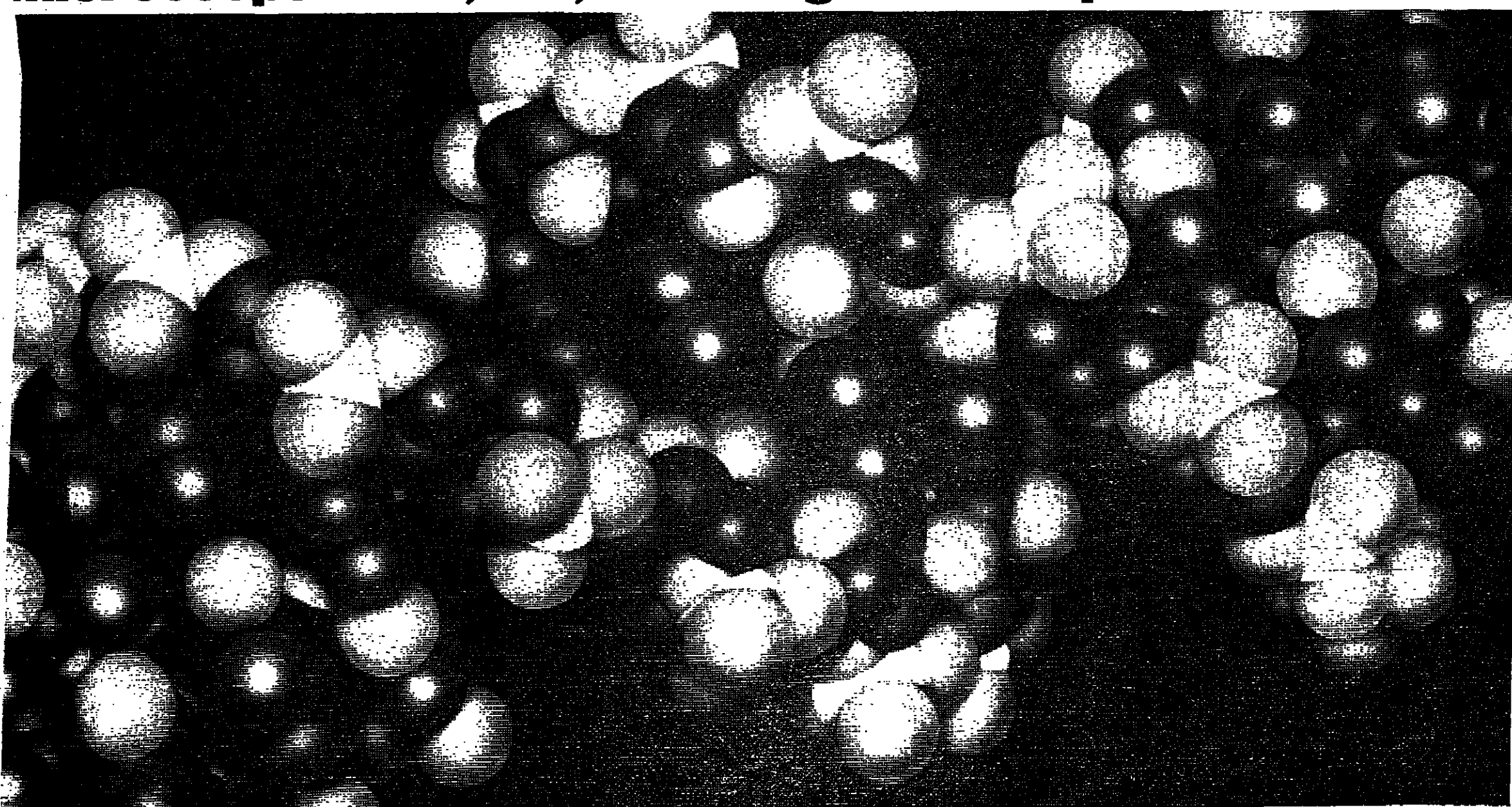
A better bet for today's big sprint is Blue Emmanuelle, who has the advantage of a high draw near the rails. The head conqueror of Crown in the Sporting Chronicle Handicap at Haydock early in July, Blue Emmanuelle completed a fine double at the last Newcastle meeting by landing the Harry Peacock Challenge Cup from Ben Jarrold just a day before Soba's big Goodwood triumph, the three-length winner of the Harry Peacock race, Blue Emmanuelle receives 17 lbs from Soba.

The six-furlong Nottingham

Stewards Cup gets under way after the Northumberland Sprint today. Thirteen runners have been declared for the race, including Soba's stable companion, Music Night. The five-year-old should go well but probably not fast enough to cope with Chris's Lad.

NEWCASTLE
2.30—Eastbrook
3.00—Dragon Fire
3.30—Blue Emmanuelle***
5.00—Hydrangea
NOTTINGHAM
3.45—Chris's Lad
4.45—Secret Lightning
WINDSOR
2.30—Boy Trumpeter**
3.30—Worrell†

It took some strong thinking to build an electron microscope with 1,000,000x magnification power.



The world's best objective lens. Resolution is the ability of a microscope to visually define an object. The higher the resolution, the greater the clarity or distinction. Yet obtaining a high resolution isn't easy, especially when, for example, the atoms you're observing are only 1 angstrom in size (1 angstrom = 1/100,000 of a millimeter). Hitachi engineers, working at their advanced Naka Works, employed a number of different advancements to improve resolution, the main accomplishment being the development of the world's best objective lens. By formulating extremely complex electron wave theories, using the most advanced materials, and then incorporating ultra-sophisticated computer-controlled machining and fabricating techniques, Hitachi was able to build a lens with a resolution of 1.02 angstroms (crystal lattice) — the world's highest resolving power attainable with any commercial electron microscope. Today, Hitachi engineers are experimenting with new designs with resolving power estimated at a phenomenal sub-angstrom level.

Structural model of DNA. Only an electron microscope with a resolution of less than 10 angstroms can reveal such detail.

Hitachi's new H-800 promises progress in the exciting new field of biotechnology!

Bacteria that produce beneficial drugs and chemicals. Hardier strains of crops that actually thrive in harsh weather. New vaccines for people and livestock. By studying and changing DNA molecules, biotechnologists hope to revolutionize food production, human health and many other aspects of science!

Much of the progress in this exciting area is dependent on the electron microscope. Hitachi is one of the world's leading producers of them. And their new H-800 is a prime reason why.

The H-800, with its analytical function, is one of the world's most advanced electron microscopes. In fact, it's the first to offer computer assisted control. With it, the H-800's operator is able to load a specimen and examine it in many ways—all at a speed and efficiency that's unsurpassed.

With a flick of a switch he can see the interior of a specimen at 1,000,000x magnification. And with a resolution or clarity that's the world's highest!

Another touch of the controls allows the operator to "map" the surface of the specimen at 200,000x magnification with the H-800's scanning function. Additional analytical functions invaluable to scientists include high resolution STEM (Scanning Transmission Electron Microscopy), energy dispersive x-ray spectrometry and electron energy loss spectrometry.

The advancements incorporated in the new H-800 are reaping benefits in many other fields beyond biotechnology. In medicine, it's helping to develop new drugs and identify disease. In computer science, it's being used to analyze defects in tiny semiconductor chips. It's also an integral part in geology, metallurgy, biology and more. The H-800's uses are truly limitless!

As proud as Hitachi is in developing this advanced electron microscope, it's just one example of their commitment to improving the quality of life through technology. Right now, Hitachi research and development engineers are working on hundreds of other promising projects—from digital audio equipment to large-scale fermentation plants for antibiotic production.

You see, Hitachi has some pretty strong ideas about tomorrow.



HITACHI

A World Leader in Technology

THE MANAGEMENT PAGE

How Mike Woodcock got hold of a fast little number

Jason Crisp begins an occasional series on companies exploiting the liberalised UK telecommunications market

ASSOCIATED Business Systems is one of the more exceptional companies to leap in and seize the opportunities created by the liberalisation of the UK telecommunications market. It is remarkable for the speed at which it has operated and for its agility in sidestepping the bureaucratic and technical obstacles that beset anyone entering the field.

When the Government announced plans to open up the British telecommunications market in 1980, Mike Woodcock, ABS's managing director, recognised the opportunities it would present.

He was already close to the market. After a period with Telephone Rentals he set up on his own in 1971 with a small electrical engineering company in Dorset installing telephone equipment. Today it employs about 30 people and numbers household names among its customers.

Woodcock decided that the quickest, and probably cheapest, course open to him was to employ a consultant to look for a suitable product made overseas which he might sell here. ABS was set up as a subsidiary of his installation company with this in mind.

The product he found was a "callmaker" made by DASA, a company based in Boston, Massachusetts. The callmaker is not a highly sophisticated product. It can store 100 to 200 telephone numbers on a magnetic tape which are listed alphabetically and selected manually. At a push of a button it dials the number and, as it has a loudspeaker, there is no need to pick up the handset until the call is answered.

ABS first started importing and selling the callmaker a year ago as a "non-approved" product. This meant that, although it was perfectly legal to sell the equipment, it was technically illegal to use it on the public network. Armed with the Yellow Pages directory the



After the Monopoly

begging ABS began mailing businesses in central London.

The callmaker found a remarkably strong demand, despite its £325 price, selling over 1,000 last year with limited marketing effort or resources. And in December last year when the Department of Industry made its first tawd for products for approval ABS submitted the callmaker.

Meanwhile, ABS had become aware that DASA, the U.S. manufacturer, had got into financial difficulties and was anxious to sell the rights for the callmaker to raise cash. Since it already knew that there was a good demand for the product ABS commissioned ICFC Consultants to look at the feasibility of making it in the UK. The recommendation was that this was a good opportunity and that ABS should buy DASA's manufacturing capability. ABS was convinced that the callmaker would be made more efficiently in the UK than in the U.S.

ABS set about buying the worldwide rights to produce, manufacture and distribute the callmaker and purchase DASA's stock, most of its manufacturing equipment, plastic moulds and patents. In addition it bought the worldwide distribution rights outside the Americas of the next generation of

callmaker. This was all electronic and included a light-based two way loudspeaking device which had cost £15m to develop.

Woodcock certainly did not have the £850,000 needed to clinch the deal and set up in the UK. In a disarmingly casual way he says: "I had never raised that sort of money before and only knew you were supposed to get it in the City. So I spent most of January going around banging on doors."

The door which eventually opened was at stockbrokers James Capel, which arranged for Woodcock to meet a number of institutions. And although the money had not been raised negotiations with DASA were reaching their final stages.

Two remarkable things stand out with ABS: the price it paid DASA for the worldwide rights for the products and the speed at which everything happened.

The actual decision to try and buy the plant and the rights was made on New Year's eve. January was spent hawking the idea around the City, the finance was raised in February, in March a final agreement was made with DASA, and the plant was shipped from Massachusetts to Dorset. During April it was assembled in three modern factory units knocked into one and production began in May.

On the evening of June 3 it became the first company to receive government approval for a new telecommunications statement and the next morning the factory was officially opened by a junior minister. During that time it concluded export deals worth £3.5m with distributors in France, Spain and the Netherlands.

The price it eventually paid DASA was £300,000 plus £500,000 in royalties over a two year period. ABS raised £850,000 from S. G. Warburg, London Life, Ivory and Sims and ICFC, leaving the directors with a minority stake, thus splitting ABS from Woodcock's original company.

Late last month it raised a further £300,000 in a rights issue to establish production facilities

ties to make the advanced electronic computerised callmaker.

Since going into production ABS has developed a variant on the more basic callmaker which prevents a telephone being used for personal calls. It has also licensed an automatic call diverter from an Australian company. If someone rings, say, a doctor's surgery when no-one is there the diverter will automatically dial out on another line and connect the caller directly to the doctor's home.

And although it is also developing its own products it is still looking to manufacture other companies' equipment for sale in the UK and EEC. But Woodcock is wary of becoming just a jobbing company churning out other people's products. He is also unlikely to start making high volume low margin equipment—such as ordinary telephone handsets.

ABS currently employs 75 and is recruiting more. It expects to employ 300. As Woodcock puts it—mainly for the benefit of the Department of Industry—the number of jobs we create here is totally dependent on the rate at which our equipment receives approval for connection to the network.

Manufacturing output is still being stepped up gradually. Currently ABS is producing 150 callmakers a week. Woodcock envisages that the factory will be run on two shifts. He is also expanding his premises; he is likely to take up an



Mike Woodcock: ABS's callmaker was the first product to receive government approval for a telecommunications attachment

option on a fourth factory unit and is looking at a further two. And since ABS has been making the callmakers its price has fallen from £325 to £200.

The setting up and running of the manufacturing side of the business is the responsibility of Tony Wilson who joined Woodcock from ICFC. Although Woodcock had run his own company for ten years he did not have any experience in manufacturing.

ABS has yet to establish firmly its marketing operation. Although it has had some remarkable successes in export markets it still has to set up a full distribution system in the

UK. The objective is to have an outlet in each country—either traditional office equipment suppliers or telecommunications specialists. At present it has a very limited cover of the UK.

Obviously it would be foolish to make great predictions on the future of a company so young and in such a competitive market. But so far it is showing every sign of being the sort of successful entrepreneurial company taking advantage of the liberalisation of telecommunications that the DoI is so desperately keen to see. The only pity is that ABS is one of such a rare species.

tioned from a member of staff. They parked in Regents Park and—clad in bright yellow oldskins—waved their way to the City in pouring rain.

As they chained their bikes to the railings outside Warburg's comfortable offices, Woodcock muttered to his colleagues: "For God's sake, don't forget to take off your cycle lights before we go in."

Several hours later when they reclaimed their machines Warburgs had agreed in principle to take over 40 per cent of the company's equity. And for one wet ABS director it no longer mattered that he had no mudguards.

On their bikes

Associated Business Systems' most valued assistant managing director, Tony Wilson, had not ridden a bicycle for a good many years. So when Michael Woodcock, his managing director, watched him wobble alarmingly in front of a double-decker bus in a busy London street, he began to wonder if their jaunt was such a good idea.

ABS was on the brink of pulling off a remarkable deal which would give it worldwide rights to a telecommuni-

cations product: this would also give it a very useful foothold to tackle the newly liberalised UK market.

But it needed to raise some money. In an attempt to do this it had arranged to make a presentation to the City merchant bank, S. G. Warburg. As the Dorset-based ABS was a newly set-up company much depended on the personal impression the senior directors could make. But on the day of the presentation there was both a rail and a tube strike. The three drove to London in Woodcock's Volvo estate with three bicycles—his own, his daughter's and one requis-

The terminal risk of failing to innovate

IF YOU want to survive in a new industry, you need not be the first to break into it. But you'd better be a pretty quick second or third, for otherwise the amount of cash or production volume will buy your way in.

This warning, from Professor James Utterback of the Massachusetts Institute of Technology, is a particularly bitter pill for established companies which find their territory invaded by an outsider's radically new product or technology. Utterback says that established firms tend to react to competitive new products and technologies by improving their existing ones, rather than rapidly switching to the new.

As a result, though the improved version may flourish for a time, the established company almost always ends up being forced out of the market by the intruder.

Utterback's warning is contained in a new MIT publication, "The Innovative Process: Evolution versus Revolution." Based on a private symposium for senior executives of member companies of MIT's Industrial Liaison Program, the report also contains contributions from some of the world's leading academics in genetics and biotechnology, microelectronics, office automation and electronic publishing.

Until recently, Utterback says he (in the company of other academics) believed that a company had a wide range of options for entering a new technological market. "You could enter with a good product and product innovation, enter later with superb process technology and attention to production and still later with attention to scale, finance, capital resources and location."

But having broadened his researches to more and more industries, he now suggests a less rosy picture. The successful firms had all entered before the appearance of what Utterback calls the "dominant design." Firms that entered later tended not to survive very long and those that entered before the dominant design emerged but did not then shift their emphasis towards increasing productivity in the manufacturing process, failed.

Entry costs rise dramatically through this cycle, Utterback stresses. Early on, entry costs in the integrated circuit busi-

ness were of the order of \$100,000 to \$300,000; when Intel entered in 1967, they were \$3m and today they are estimated to be between \$30m and \$300m.

The "dominant design" integrates within it many of the performance characteristics of early variations of the product—it becomes a sort of multi-purpose standard, in other words. Utterback gives the example of Ford's Model T Ford, which, with its water-cooled engine and rear drive became the dominant design for some years, after a period when the motor industry had offered cars with steam, electric, or internal combustion power, together with front or rear-wheel drive, front or rear engines, and many other kinds of variant.

One of the reasons why late-comers find it difficult to break in after this stage is that the move towards standardisation of the basic design offers the innovative firm the opportunity to shift towards larger scale production processes, with all its advantages of unit cost reduction. Not all companies with brilliant product ideas actually make this shift, however, and fail as a result.

Revolutionary

It remains to be seen whether this near-inevitable will be affected when flexible manufacturing systems, computer aided design and so forth really fulfil their promise of much more cost effective short production runs. But there is little reason to think this will alter Utterback's conclusion that revolutionary change in new products—unlike radically new process technologies—tend to be brought in by new entrants.

In the electronics industry, new entrants came in with the transistor, a further set of new ones with the integrated circuit, and yet another set with the microprocessor. In each case several established companies tried to break in, and some succeeded. But the dominant creative force has been new firms, says Utterback, not only in electronics but (originally) cars, the jet engine, the electric lamp, the car, even many more. "MIT Industrial Liaison Program, 77 Massachusetts Avenue, Cambridge, Mass 02139 U.S. Tel: 617/495-2147.

Christopher Lorez

Sit down, grab a pencil and compare Newport with your ideal site

The Need	Your Ideal	Newport
How many minutes from:		
Major East/West motorway junctions?		10
Major North/South motorway junctions?		25
Main line rail links to London and the North?		10
Container ship facilities?		10
The town centre?		5
A local airport?		35
A major international airport?		90
The centre of London?		125
Real, unspoiled countryside?		15
Beautiful, relaxing coastline?		20
What is the workforce within a ten mile radius?		169,000
How good are labour relations locally?		Excellent
What is the total industrial acreage?		480
Are there ready-made factories and warehouses to let?		Yes
Below £2.25 per square foot?		Yes
Is there a choice of small and large plots?		Yes
Is it a Development Area?		Yes

Now write to Gareth Isaac or Tony Parker for the full story. Or telephone them on 0833 56906.

Please send me full details on development in Newport.

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Position: _____

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NEWPORT

Business courses

Sloan Fellowship Programme, London. Nine month general management and career development programme. Starts September 27. Fee: £8,750. Details from Programme Director, Sloan Fellowship Programme, London Business School, Sussex Place, Regents Park, London NW1 4SA. Telephone 01-262 5050.

Marketing strategies in a rapidly changing world economy. London. September 9-10. Fee: £F 40,000 members. BF 45,000 non-members of the International Management Association. Details from Management Centre Europe, avenue des arts 4, 1040 Brussels, Belgium.

Management of Innovative Projects, Slough. September 6-10. Fee: £345 (plus VAT). Details from Urwick Management Centre, Baylis House, Stoke Poles Lane, Slough, Berkshire, SL1 3PF.

The Younger Managers Course, Berkhamsted. September 6-24. Fee: £1,720 (plus VAT). Details from Ashridge Management College, Berkhamsted, Hertfordshire, HP4 1NS.

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Effective August 2, 1982, the specified office of The Industrial Bank of Japan Trust Company as Paying Agent for the above-described issues is

245 Park Avenue

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U.S.A.

August 9, 1982

LATIN AMERICA

MARKET REPORTS

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CONTRACTS AND TENDERS

THE PEOPLE'S DEMOCRATIC

REPUBLIC OF ALGERIA

MINISTRY OF HYDRAULICS

HEAD OFFICE FOR HYDRAULIC INFRASTRUCTURES

OPEN NATIONAL AND INTERNATIONAL INVITATION TO TENDER

The Ministry of Hydraulics (D.G.H.) is putting out an open national and international invitation to tender for the execution of geological and exploration work on a certain number of dam sites within the framework of detailed feasibility studies and preliminary project work.

Extent of Work:
Boring: 10 000 m
In-situ tests: Pressure gauge tests: 500 : Unit
S.P.T. tests: 150 : Unit
Dilatometric tests: 100 : Unit
Permeability Tests: Lugon 1800 Unit
Lefranc 360 Unit

Execution of exploratory shafts: 700 ml
Interested companies may obtain the specifications from the Ministère de l'Hydraulique - Direction Générale des Infrastructures Hydrauliques - D.I.M.T. - KOUBA - ALGER. Offers drawn up in accordance with the clauses in the file must arrive in a sealed double envelope addressed as follows:

Ministère de l'Hydraulique (D.G.A.) Bureau des Marchés, B.P. 86 (ex-Grand Séminaire) KOUBA - ALGER.

The closing date for receipt of tenders is 7th October 1982 at 12.00 hours.

The contractors will be bound by their offers for one hundred and twenty (120) days.

THE PEOPLE'S DEMOCRATIC

REPUBLIC OF ALGERIA

MINISTRY OF HYDRAULICS

HEAD OFFICE FOR HYDRAULIC INFRASTRUCTURES

OPEN NATIONAL AND INTERNATIONAL INVITATION TO TENDER

The Ministry of Hydraulics (Direction Générale des Infrastructures Hydrauliques) is putting out an open international invitation to tender relating to:

Design, manufacture, supply and assembly of a lift truck.

Interested companies may obtain the file from the Ministry of Hydraulics (Direction Générale des Infrastructures Hydrauliques (D.I.M.T.) KOUBA - ALGER).

Offers drawn up in accordance with the clauses in the file must arrive in a sealed double envelope to the following address:

Ministère de l'Hydraulique (D.G.A.) Bureau des Marchés - B.P. 86 (Ex Grand Séminaire) KOUBA - ALGER.

The closing date for receipt of tenders is 14th October 1982 at 12.00 hours.

The contractors will be bound by their offers for one hundred and twenty (120) days.

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS ISSUED IN

NISSON FIRE & MARINE INSURANCE COMPANY, LIMITED

EDR holders are informed that Nissou Fire & Marine Insurance Company, Limited has paid a dividend to EDR holders of 1981 of 10% on the face value of the EDRs. The dividend is payable on or before 31st March 1982. The dividend is payable to the EDR holder at the address shown on the EDR. The dividend is payable in cash or by cheque.

EDR holders may now present Coupon No. 5 for payment to the undersigned agent.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depository or the Agent of a valid affidavit of residence in a country having a 15% withholding tax. Countries currently having such arrangements are as follows:

A.R. of Egypt, Denmark, The Netherlands, Singapore, Australia, F.R. of Germany, The Netherlands, Spain, Belgium, Finland, New Zealand, Sweden, Brazil, France, Norway, Switzerland, Canada, Ireland, Portugal, Taiwan, Czechoslovakia, Italy, Romania, U.S. of America, Zambia.

Falling receipt of a valid affidavit, payment of the dividend will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to any dividends undistributed after October 31, 1982.

Amounts payable in respect of current dividends:

Coupon No. 5	Gross Dividend	Dividend payable	Dividend payable
EDR denomination	1000 shares	1000 shares	1000 shares
1000 shares (old)	US\$21.65	US\$18.40	US\$18.40
1000 shares (new)	US\$21.65	US\$18.40	US\$18.40
100 shares (old)	US\$2.165	US\$1.840	US\$1.840
100 shares (new)	US\$2.165	US\$1.840	US\$1.840

Depository: Citibank (London) S.A., 15 Avenue Marie, London August 9, 1982.

SUMITOMO FINANCE (ASIA) LIMITED

US\$ 30,000,000 GUARANTEED FLOATING RATE NOTES 1983

For the six months from 9th August 1982 to 9th February 1983 the Notes will carry an interest rate of 13 1/4% per annum. The interest payable on the relevant interest payment date 9th February 1983 against Coupon No. 3 will be US\$ 680 per US\$ 10,000 Note.

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EDR holders are informed that Taiso Marine and Insurance Company, Limited has paid a dividend to EDR holders of 1981 of 10% on the face value of the EDRs. The dividend is payable on or before 31st March 1982. The dividend is payable to the EDR holder at the address shown on the EDR. The dividend is payable in cash or by cheque.

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Payment of the dividend with a 15% withholding tax is subject to receipt by the Depository or the Agent of a valid affidavit of residence in a country having a 15% withholding tax. Countries currently having such arrangements are as follows:

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Coupon No. 5	Gross Dividend	Dividend payable	Dividend payable
EDR denomination	1000 shares	1000 shares	1000 shares
1000 shares (old)	US\$21.65	US\$18.40	US\$18.40
1000 shares (new)	US\$21.65	US\$18.40	US\$18.40
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Monday August 9 1982

Italy needs elections

EARLY AUGUST is usually when Italian governments are formed, not when they collapse. This year it is different. The fall of the country's first administration since 1945 not to be led by a member of the Christian Democrat Party has brought the politicians rushing back to Rome to spend the traditional holiday month attempting to find a solution to what promises to be one of the trickiest crises in a long while.

Quite possibly this time their extraordinary dexterity in devising new formulae will fail them, and General Elections in October or November will prove to be the only way out. The basic problem is the familiar one: how do you find a compromise between Christian Democrats and Socialists, those ferocious enemies of Italian politics, open rivals, yet condemned to work together if any parliamentary majority excluding the Communists is to be formed?

The upset vote which the Socialists have seized upon to provoke the downfall of Sig. Giovanni Spadolini, the Republican Prime Minister, was, by the standards of rows which have dotted his 13-month period of office, a minor affair. Yet it has been the classic straw which broke the camel's back.

Esteem

In the past few months the energetic Premier has worked miracles to hold his five-party coalition together. In the process he has won much public esteem—and rightly so. His Government has made great inroads against terrorism, and Sig. Spadolini has managed to restore a little of the state's lost credibility. Public life is slightly less shabby and it is somehow fitting that almost the last deed of his Government was to liquidate Banco Ambrosiano, responsible for the country's worst post-war financial scandal, and the visible up of an iceberg of malpractice stretching from Sindona and the P-2 affair, apparently into the Vatican itself.

The style of government, if not its substance, at least has changed. Sig. Spadolini, indeed,

Opening up the Budget

SINCE INFORMATION confers power and denies it to others, it is perhaps surprising that Mrs. Thatcher's Government should have reacted in such a rapid and positive way to demands that its Budget policy-making should be opened up to public scrutiny.

The Government has not gone all the way with the recommendations of the all-party Treasury and Civil Service committee of MPs for a draft or consultative Budget to be presented in the autumn. However, the Treasury's proposals, announced in a reply to the committee last week, do represent a genuine and welcome advance.

The ball will now be in the committee's court to make good use of the extra information which the Treasury has promised to publish each autumn.

It has been something of an irony that the mother of parliaments should in recent years have had its power over taxation effectively muffled by elaborate curtains of Budget secrecy. Although MPs could in theory reject a Budget, they have had in practice less chance to alter it than in many other countries and hardly any direct influence over its formulation. Although the new procedures will fail to satisfy those who want a substantial shift of power to Parliament, they will certainly please those who believe the objective should be a wider and more informed pre-Budget debate on the government's fiscal and monetary strategies.

Discussion

The traditional argument for secrecy about impending tax changes was that any advance discussion would enable people to take avoiding action by, for example, stockpiling up with cigarettes and whisky. This argument has been quietly played down, partly as a result of evidence to the select committee that the "forestalling" effect would not in most cases be very serious. Instead, the Government is advancing the more forceful line that detailed tax decisions should be taken at the latest possible moment and after the major work on spending programmes has been got out of the way.

Nevertheless the autumn statement will in future give a much fuller picture of the economic and fiscal prospects than hitherto. The actual decisions on spending will be given

Quentin Peel, Africa Editor, reports on the problems of using Western aid in the Sahel

The impact of strong medicine on the fragile

ONLY a mile or so beyond the brilliant green paddies of the Namarigoungou irrigation scheme on the banks of the Niger river stand the remains of a similar project: crumbled dikes, choked ditches and abandoned fields.

Namarigoungou is a testament to the huge aid effort being put into one of the world's poorest areas: the Sahel region on the southern fringes of the Sahara. Some \$25m are being spent by the World Bank and West Germany's Kreditanstalt für Wiederaufbau to irrigate 1,500 hectares of normally dusty river valley, and make a major contribution to the struggle for food self-sufficiency in Niger.

The abandoned scheme beside it stands witness to the daunting problems faced by aid donors and receiving governments alike in realising the worthy intentions of the aid effort. It is a graphic illustration of the development challenges facing donors not only in the drought-stricken Sahel region where poverty is so stark, but in Africa as a whole.

Those challenges concern both the ability of the poorest countries to absorb and benefit from major foreign aid projects, and also the strategy being adopted by Western agencies like the World Bank in attempting to improve the cost-effectiveness, and the rate of return, of their programmes.

On the one hand, major donors like the World Bank argue that inappropriate domestic policies are undermining aid, especially on agricultural production. The Bank's major report last year, Accelerated Development in Sub-Saharan Africa, the so-called Berg report, pinpointed enforced low prices of agricultural products, heavy subsidies for inefficient public corporations involved in buying and marketing, and overvalued exchange rates, as key factors in holding back agricultural development on the continent.

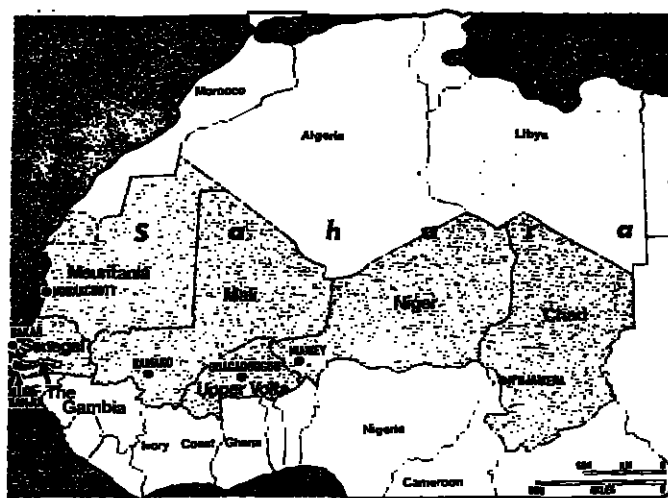
African critics retort that the fault lies as much with the Western donors as with the recipient governments. They claim that the aid projects rely too heavily on imported technology and equipment, put excessive emphasis on cash crops for export, and pay inadequate attention to the inability of impoverished governments to sustain the running costs in the future, they argue.

Examples abound in the Sahel to illustrate the justice of both cases. In Mali, Niger and Upper Volta, centralised crop purchasing at controlled prices has become something of a farce: an estimated 90 per cent of farmers' crops simply bypass the controlled system, and sell on the black market.

There is little doubt, either, about the inbuilt bias in most of the Sahel nations in favour of urban areas and against rural development. The food aid which flooded into the region in the wake of the disastrous drought of the early 1970s had remained very largely in the urban areas, where town-dwellers learned to prefer imported wheat and rice to traditional crops like millet and sorghum.

A stark example of the bias in favour of the local bureaucracy comes from the first major irrigation scheme at Mopti, where a survey of plot-holders brought into the project showed that as many as two-thirds were local civil servants.

There are also examples of



Graham Laver

ill-designed aid projects. One is the widespread planting of eucalyptus trees as part of the huge effort at reforestation to stop the advance of the desert. In spite of widespread peasant resistance to the trees, planting still continues. "It has been an economic disaster," according to one forestry worker. "It needs cultivating. It needs water. It needs all the management skills that these people have not got."

As for capital-intensive irrigation schemes, they have brought with them a host of unexpected drawbacks. The farmers of Mopti maintain that their production has slumped from 50 bags a hectare to only 15 in eight years because of infestation by wild rice and the low resistance of imported rice seed to irregular and inadvertent flooding.

The dilemma for aid donors is that irrigation schemes appear to be the only obvious way to a rapid increase in food production, dry land projects and livestock projects have had very limited success, probably because there is very little that Western aid can teach to farmers used to operating in such barren conditions. But irrigation schemes are often hugely expensive: Namarigoungou works out at a cost of \$17,000 a hectare, or \$12,000 if some of the infrastructure costs are excluded.

Although irrigation poses specific difficulties, the broad problem of the Sahel has been chronic aid indigestion. The eight countries* which make

up the Permanent Inter-State Committee for the Fight against Drought in the Sahel (known by its French acronym CILSS) have simply not been able to absorb the aid flows which resulted from a sudden and belated upsurge in international awareness after the 1970s drought.

CILSS and its donor counterpart, the Paris-based Sahel Club, agree that food self-sufficiency should be the highest priority for the aid effort. Between 1974 and 1980, \$6.8bn of external assistance was committed to the region. It is still flowing in at a rate of some \$1.5bn a year, or more than \$40 per head of population. Yet of the eight members of CILSS, only Niger has come near being able to feed itself, and that was only for a year in 1980.

"I don't think anyone really understood the fragility of

these economies," according to one aid director in Ouagadougou, capital of Upper Volta. "The digestive system is not as strong as the medicine we are giving it. There is a very limited absorptive capacity, and ability to maintain projects."

"The donors are partly to blame for jumping in with less than ideally conceived projects. As a result, they find themselves picking up large shares of local costs."

The proliferation of donors is also immediately apparent to any visitor to a capital like Ouagadougou: the streets are littered with the name plates of international agencies. According to one estimate, there were 340 separate aid missions to Upper Volta last year.

The Sahel governments, desperately short of skilled personnel, can hardly hope to co-ordinate such an influx, or

to assess the schemes being proposed in any rigorous way. There is an inevitable tendency to believe and act upon the advice of the last aid mission to pass through.

However, the aid projects themselves have tended to contain within them the seeds of disaster. Donors have traditionally provided the finance for the capital cost of projects. In some cases, they have undoubtedly also favoured relatively capital intensive projects which might involve the import of plant and machinery from the donor country. But they have expected the host government to pay for the running costs.

New projects generate very heavy recurrent budget costs, which cannot be met, and so the project deteriorates," according to Anne de Lattre, director of the Sahel Club in Paris. "Phase 2 and Phase 3 of the project then have to be rehabilitation, not expansion."

Since 1976 there has been a 35 per cent increase in real aid flows. But there is actually massive disinvestment taking place, because of those rehabilitation costs.

The World Bank, followed by other Western donors like USAID, is altering its strategy in two ways: by changing the choice of the projects and by insisting on much tougher domestic policy conditions, in line with the recommendations of the Berg report.

In the first place it is placing a much higher priority on maintenance schemes, while at

AGRICULTURE IN THE SAHEL

Average annual percentage growth rate 1969-71 to 1977-79

	Volume of production		Production per capita	
	Food	Non-food	Food	Non-food
Chad	1.0	2.0	- 1.0	0.0
Mali	1.0	9.8	- 1.4	7.2
Upper Volta	2.0	7.2	0.4	5.6
Gambia	0.1	—	- 2.9	—
Niger	1.3	- 7.8	- 1.5	-10.6
Mauritania	- 1.3	—	- 4.0	—
Senegal	1.0	11.3	- 1.6	8.7

Source: World Bank

Men & Matters

Whisky appeals to Gulliver

It would be an exaggeration to say that James Gulliver has taken up residence in Samuel Montagu's banking offices in Old Broad Street. But he has been wearing quite a few hats while journeying up and down the fifth floor corporate finance department's green wicker carpets this year.

Gulliver, one of the speediest among Britain's fast-moving grocers, has had a better chance than almost any other businessman to explore the bank's offices.

He sits in his now accustomed chair in conference room number four. In front of him is an underwriting document. In his pocket is a promise of Samuel Montagu's financial backing. On a jottings pad near a convenient telephone is a tally of the latest sub-underwriting campaign. James Gulliver Associates is a raiding party on the move.

This week Gulliver starts detailing the move which will take his Amalgamated Distilled Products group into the high-ranking number seven slot in the United States bourbon whisky market.

It all seems just like old times. For earlier this year Gulliver and his advisers were outlining the strategem which led to control of Sir James Goldsmith's Allied Suppliers retail chain.

The scale of the new bourbon operation is rather smaller than the last deal. Here Gulliver is spending \$22m. Back in May he committed \$101m with Goldsmith. But the financial setting and the people remain the same.

Where does our hero strike next? Logically double glazing and bathroom showers should be Gulliver's next subjects for fifth-floor treatment. Together they make up the third arm of his quoted empire.

than fund-raising might be the real Gulliver target when next he moves.

Treading water

Shipping finance is one of those specialist areas where only the bravest of bankers dare swim during the current slump in the industry.

So when Paul Slater, one of the City's more entrepreneurial-minded shipping bankers, decides to quit his job at Oceanic Finance, the company he founded, the gossips on the Baltic Exchange and the City's banking parlours are provided with a field day.

It seems that his departure has resulted from a boardroom row about the future direction of the group—which has financed over 1m dwt of shipping—rather than about shipping loans that have turned sour.

Last December Slater, who used to run Grindlay Brandt's shipping finance team, hired Morgan Grenfell, the City merchant bank, to advise on how to restructure the group and cater for its expansion. Morgan Grenfell suggested diversifying the group's dependence on shipping finance, turning it into a proper bank, and bringing in new shareholders.

This was music to Slater's ears. He went about finding a strong partner to buy out the Canadian shareholders in Oceanic. At one stage it looked as if INA, the U.S. insurance giant, would come into the deal. Slater has been beating the trail looking for \$25m or so to buy out the existing shareholders and bolster Oceanic's capital base. "The company is so narrowly based in shipping that it is very difficult to interest outside investors," he says. Meanwhile, the existing shareholders—Genstar, Power Corporation, and the Fednav shipping group—only wanted to stay on the board as long as Oceanic stuck to shipping.

At the end of the day Slater and Laurence Pathy, the wealthy and secretive president of Fednav appear to have fallen out. "He was a shipping man who wanted to stay in shipping and I am a banker who wants to diversify into banking," explains the 35-year-old Slater.

Self-inflicted

Examples of the new self-certification of illness form collected so far by the General Practitioner, the doctors' weekly, include a Gloucestershire farmer complaining of "grazing on the knees" and a patient with an eye injury who could not see her doctor until Tuesday.

Some unfortunate are suffering from "chicken pox" and "desperation." A woman complained she had been under the doctor for a fortnight and was suffering from backache. A West Country patient was "sick and tired due to doctor's tablets."

But according to the Department of Health and Social Security, one thing is clear. Now that the patients are filling in the forms the handwriting is easier to read than when the doctors did it.

Poor spenders

The trouble with the people of London is that they are not creative enough when it comes to thinking up ways of spending public money.

You probably share my surprise to read that nugget of intelligence. But we should take it seriously because it comes from the highest echelons of Greater London Council which is, of course, making strenuous efforts to torpedo Margaret Thatcher's efforts to cut public spending. Londoners may dream about how they might spend the money they could win on the football pools. But Mr Robin

Murray, the GLC's chief economic adviser, complains that "they are unlikely to dream about how they, with others, would spend public money."

Showing a fine spirit of helpfulness in the cause of free spending Mr Murray suggests how it might be done in a new report on how to get more popular involvement in the council's industrial and employment strategy.

He says, "A qualitative leap such as this requires a cultural inspiration that connects with people's day-to-day experience but also goes beyond it. Officers will need to talk to playwrights, film makers, artists, and exhibition designers, about the type of projects which could be encouraged to create this inspiration." Liaison with the Arts Committee is also suggested.

The first public spending under the scheme is a comparatively modest £38,000 agreed last month for a pilot project to prepare workplace and community groups for the popular involvement to come.

Next steps include the setting up of an economic literacy programme and a newsletter "to reach every group involved in creating an industrial strategy for London." Curious: no one has suggested free beer yet.

Hello Sailor

The French authorities have been getting tough with foreign yachtsmen. The bureaucracy has now ordained that an owner may only hand over command of his yacht in French waters to either a member of his family "or to his established concubine."

Yachting Monthly carries a caution call from a Lysistrata Bowline of Bognor Regis to all liberated ladies: "Nonestablished concubines of the world unite. You have nothing to lose but your yachts."

Observer

the same time introducing more projects directed at basic health and education. The skilled manpower shortage in the Sahel stems from a literacy rate of under 10 per cent, compounded by only a third of children attending primary school.

USAID is trying to concentrate on projects with little or no recurrent costs, such as training personnel in skills of management and accountancy. Aid officials in Upper Volta sadly quote rural development schemes which failed because no one could afford to pay the agricultural extension workers, or a school programme abandoned because they could not afford to pay the teachers.

There is a growing recognition that the most successful aid projects are the most modest: the village water-supply schemes designed by non-government agencies like Oxfam, or the construction of small grain stores for farmers. Moreover, the active involvement of the local community in designing and planning such facilities is critical.

However, it is the World Bank's growing insistence on "conditionality"—on domestic policy reform in exchange for aid—that is most contentious. Bank officials are already resentful for flying in from Washington on periodic inspections, which involve the finest detail—such as the number of vehicles permitted to have air conditioning. They are also accused of insisting on the employment of too many expensive expatriates.

The Berg report was sharply criticised for laying too much blame on policy mistakes—such as overvalued exchange rates—and too little on the inadequacies of the international economic order, and gyrating commodity prices.

As a result, Bank officials have tended to play down its importance—at least for reasons of tact. Indeed, no lasting debate appears to have been initiated with African governments.

However, a number of governments are quietly doing what Berg suggests, especially in dismantling their public corporations, and decontrolling prices of agricultural products—as in Mali, Niger and Upper Volta. It is a real political risk, for they undoubtedly lay themselves open to the threat of a backlash from hitherto pampered urban populations, and especially the bureaucrats themselves.

The truth is that the Berg report on Africa is only one part of the answer. Western donors also have to rethink their aid strategies, and learn to be much more sensitive to local conditions. The days of the one-off projects are surely past, and now donors must be prepared to commit themselves to much less ambitious, but longer-lasting, programmes.

There has been too much emphasis on new investment, and too little on maintenance. More help is needed to tackle the constraints of human resources, by investing in basic health and education, although results may take many years to show.

In the words of one aid donor: "Unless we can change our ways, the Sahel in 20 years may not be very different from what it is today."

* Six countries initially joined the CILSS: Chad, Mali, Niger, Mauritania, Senegal and Upper Volta. Two others have since joined: The Gambia and Cape Verde.

Bank of India

announce that on and after 9th August 1982

the following rates will apply:

Base Rate...11½% per Annum

(Decreased from 12½%)

Deposit rate (basic) 8½%

per Annum

(Decreased from 9½%)

Bank of India

JOB CREATION

The CBI's silver lining

By Ian Hargreaves

DOES BUSINESS have a social responsibility to help to create jobs at a time of mass unemployment?

When the Institute of Directors circulated its members on the subject earlier this year, it got a rather straight answer. Seventeen of the institute's 24 regional groups were clearly opposed to the idea, their position summed up by the Manchester response: "The responsibility of companies is to make profits and remain viable. Even those which accepted a social responsibility hedged their replies with warnings about the dangers of taking measures which might erode competitiveness."

However, the same questionnaire asked: "Are there any particular groups of unemployed people to whom special help should be given?" All the groups thought there were and 19 of them identified young people as a specially deserving group.

This is not necessarily a self-contradiction—theoretically Government could do something for young people without the active involvement of business. Although it is hard to see how it would be relevant—but it does illustrate nicely the gap between business theory and practical personal response. There can be hardly anyone in Britain today, businessmen included, who has not had personal contact with the unemployment problem and felt the urge to respond.

This is very much what Mr James Cooke discovered 20 months ago when he set out on behalf of the newly formed CBI Special Programmes Unit, to persuade large companies to provide more places on the Government's youth training schemes, such as the Youth Opportunities Programme (YOP).

Mr Cooke says that in talking to the heads of 90 of Britain's 100 largest companies he has discovered two common themes: the concern that YOP is very largely training people for jobs which do not exist and the conviction (with the exception of retailers and some financial services companies) that they will not be adding to their workforces in the next two or three years and may well be doing some more cutting.

"Nothing that I hear from top companies suggests there is

much hope for real jobs in the next five years," he says. "The employment problem will not respond to economic growth."

The silver lining in this cloud, such as it is, is that contrary to the impression from the Institute of Directors survey, businessmen contacted by the unit are keen to respond to the problem in their own localities on the right terms. "Their employees have children who can't find jobs, so of course they care. Companies will respond if we can find practical ways for them to do so."

The search for a practical, systematic approach has taken the unit 20 months since Mr James Cooke, first invited. Mr Cooke, formerly with Courtauld and for 10 years a senior consultant at PA Management Consultants, to create and lead the unit.

In its first year one of the unit's main achievements was to assemble and hold together what Mr Cooke, with a flair for overstatement, likes to call "the greatest board ever assembled in peacetime." Its members include the heads of Metal Box, Thorn EMI, Wimpey Construction, BP Oil, United Biscuits, BAT Industries, British Rail and the Thomson Organisation. Its chairman is Lord Carr, chairman of Prudential Assurance, who as Mr Robert Carr was Employment Secretary in the Heath administration.

Mr Cooke's style is very much founded upon the belief that if you get the right backing you will get the job done, so the composition of the board was crucial. He has been, primarily, in the business of influencing top people and says that in looking for active support—20,000 subscriptions plus the willingness to second managers to provide other help in kind—he has won over 90 of the top 100 companies.

Also in the first year, the unit found 32,000 industry-based training places for use in the YOP work-experience programme. Thus it helped the Manpower Services Commission, which administers the scheme, to shift the bias somewhat away from small employers, who have frequently been accused by trade unions of using YOP training as cheap labour, towards larger companies with better training facilities.

The unit has also contributed



James Cooke, in front of his VDU, ready for action.

to the debate about the broadening of the six-month YOP scheme into the higher quality whole-year Youth Training Scheme, offered a critique of the way the schemes are managed and helped by timely intervention to save from closure a number of major industrial training facilities.

From the beginning, however, Mr Cooke felt that the key to a more effective response was to get involved at a more local level, but he was struck by the non-existence of town-level forecasts of unemployment.

So National Westminster Bank agreed to finance consul-

"Consultancy was not the right approach."

By this time, experience had also matured in a number of other local action projects, like the Pilkington's St Helen's trust and the Swale Kent employers' federation initiative, set up some time ago, and Mr Cooke was convinced that he had a formula. The first step in every case would be to identify the most influential businessman in the town, use contacts to win his sympathy and get him to lead the action.

Now, however, the unit has a much more sophisticated idea of what it would like "Mr Big," as Mr Cooke calls him, to do. It wants him, initially, to gather together the half dozen or so most important employers in town—"the local mafia" in the parlance of the unit's planners—and invite them for a dinner at which Mr Cooke or one of the other members of the unit's small central staff will explain the system.

The strategy in each area is to identify a manageable catchment area, to carry out a town study, to set objectives in terms of MSC training places and other job creation ideas and to establish a full-time nucleus of leaders, normally comprising people seconded from the firms concerned. The executive will then set about traditional economic development tasks, like searching for investment.

The unit has now recruited its "Mr Big" in Newcastle, Leeds, Hull, Wolverhampton, the Rhondda, Luton, Ipswich, and the Border Country of Scotland, and aims, according to the plan agreed last month by the unit's board, to create 50 of these "community action programmes" by the end of next year.

"We want to take 50 towns and be able to say to the MSC—there we've solved these for you—and all at no extra cost to the Government. Our first priority is to find these training places," says Mr Cooke. But in the long run, he believes that the energy released by the community programmes will help to stimulate small businesses, create new projects in areas such as tourism and community services and become, in effect, small engines of real economic growth in their own right.

Another idea, still in its early stages, is to try to create what the unit calls "consortia" projects, by which it means

schemes in which it will bring together a supplier of tasks, like the British Waterways Board, with a supplier of materials and skilled supervisors, like the construction industry, with unemployed young people.

It is evidently too early to judge the likely success of the unit's work. Mr David Cole, joint deputy managing director of the Thomson Organisation, who has followed it closely, says the unit's approach is "logical, methodical and workmanlike."

The early weaknesses which led to the follow-through failure in four of the five towns initially studied appear now to have been corrected. Other weaknesses, however, may still persist. It is not certain that a system of seconded, although of obvious value in securing the practical, active involvement of companies, can supply the necessary continuity for what looks certain now to be a four or five year haul, even though the unit's own existence is formally guaranteed only until the end of next year.

There is also a rather obvious gap in the absence of trade union participation in the unit. Mr Cooke professes himself "flabbergasted" that the unions which created the Labour Party have not come forward with massive support. However, at local level the unit has experience of harmonious relationships with unions.

At the national level, the unit's work is, at the very least, a serious and practical attempt to attack unemployment and as such will lend weight to the CBI's major policy statement on the subject, expected this autumn.

Along with a number of other smaller organisations, such as Business in the Community—a recently-formed group involving leading companies and other interests to promote greater social awareness in business—the unit could also play an important part in focusing the attention of British companies on broader questions of social responsibility.

On that score, Mr Cole has no doubts where the business community's interests lie. "If the social fabric of the country gets frayed, then that is not going to be good for commerce or for anyone else," he says.

Lombard

The know-nothing U.S. Congress

By Anatole Kaletsky in Washington

THE U.S. SENATE, egged on enthusiastically by President Ronald Reagan, committed an act of folly last week that could eventually make the U.S. system of government the laughing stock of the civilised world. On Wednesday the Senate voted 69-31 in favour of a proposed amendment to the U.S. constitution requiring the Federal Government to run a balanced budget. It prompted only one point of contention between responsible commentators: Would such an amendment, if it were to pass all the stages of ratification, be more an absurdity or a disaster?

Even the far-right and staunchly Reaganite editorial pages of the Wall Street Journal have repeatedly poured scorn on the balanced budget amendment. It would be unworkable and would merely distract attention from the serious business of "going to the polls in November" to elect fiscal conservatives with the courage to cut public spending, the Journal has maintained.

Yet the reaction against the amendment from sensible politicians has been remarkably muted. Even its liberal opponents have mostly followed the Wall Street Journal line. They have concentrated on the local problems of enforcement and hypocrisy in supporting balanced budgets in the future while enacting record deficits for the present.

If it were not for the tiresome legalistic and constitutional problems, balanced budgets would obviously be desirable in principle, everybody in U.S. politics suddenly seems to believe.

Any schoolboy who has studied elementary economics could tell America's lawmakers that governments in other countries do not try to balance their budgets each year, regardless of economic circumstances, and that they refuse to do so for very good reasons. It does not take a madcap Keynesian to recognise that a recession will temporarily reduce tax revenues and raise public spending—and that refusing to allow this temporary effect to happen by raising taxes or cutting spending

would normally make a temporary recession worse.

Furthermore, even without a day's study of economics, such a child could have told President Reagan that he was being a humbug at his press conference last week, when he said that the Federal Government must balance its budget, just like a family. The fact is, after all, that sensible families save and borrow to suit their changing circumstances, so the analogy works against the budget-balancers, not in their favour.

America's politicians presumably do not need to be instructed on these elementary points of common sense. Why then do they persist in their folly? And why are those who oppose it so meekly-mouthing about the economic principles at stake?

It is the answers to these questions, more than the amendment itself, which justify concern, as well as derision, about the way the U.S. political system has moved in recent years. "If this was a secret ballot, there would not be 30 votes for it," Senator Daniel Patrick Moynihan, one of the amendment's few unambiguous opponents said on Wednesday just after the senate vote. Several commentators have suggested that many of the senators who supported it did so only because they believe it will eventually fail to be ratified.

Instead of developing policies, they send out pollsters to their constituencies to discover the "themes" (ie slogans) which will appeal to the voters, using the techniques employed by confectioners to determine the optimal mix of chocolate, sugar and milk in their candy bars. Instead of politics, the electors are offered a know-nothing populist demagoguery, updated for the late 20th century by the use of TV commercials and computerised opinion polls. It is perhaps small wonder that complex issues like economic policy and the subtleties of diplomacy are proving more politically intractable as this conception of government takes hold. It is even less surprising that fewer people in the U.S. bother to vote with each major election that goes by.

Letters to the Editor

The continuing search for an heir to current cost accounting

From the Managing Director, Lead Industries Group.

Sir—I have been following with interest the debate in your columns between the relative merits and weaknesses of historical cost accounting (HCA) and current cost accounting (CCA).

For most manufacturing industry CCA, despite its subjectivity, is still the best attempt so far to reflect business realities. Clearly there are sincere minority views that: (1) CCA is not relevant to some businesses; (2) the costs and efforts of implementation are disproportionate to its benefits; and (3) CCA is not as pure a system of inflation accounting as current purchasing power (CPP) accounting.

Our group strongly support CCA because we genuinely believe the system best unifies reporting requirements for shareholders, employees and unions. Furthermore, we have found that as HC methods proved decreasingly useful we

had to develop CCA systems in the vital areas of depreciation on the replacement cost of fixed assets, replacement cost of stocks and the erosion of working capital values. This information has also been useful in explaining business realities to customers, suppliers, unions and competitors (who may be struggling with major cash flow problems while still reporting a profit).

In my view there are two serious weaknesses of CCA which need tackling urgently. The first is its degree of subjectivity and the second is the Inland Revenue attitude. With regard to the former—most criticism centres around the material effect of CCA depreciation yet, under the HC convention, views also have to be taken on asset lives and redundant plant and assets not used, while the problems of fully written off assets are ignored. Provided CCA adjustments are consistently calculated, the disadvantages of

subjectivity can be largely overcome.

With regard to Inland Revenue acceptance of CCA it is still too early to discuss the "gearing" adjustments I would propose two adjustments only—namely depreciation and cost of sales. Depreciation allowance can either be given as at present by way of 100 per cent of capital expenditure or by a CCA depreciation charge based on ASC guidelines consistently applied and audited. The subjective conflict between a high depreciation charge (for taxation) and a low depreciation charge (for shareholders) will in practice be neatly balanced.

Any problems the cost of sales adjustment causes the revenue would largely be overcome if the Inland Revenue and the UK accounting bodies accepted the LIFO method of valuation. This is well tried and used in the U.S., Canada, Australia, South Africa and

Europe and is no less subjective than the widely used FIFO method. Adoption of LIFO would also eliminate the need for the Revenue's cumbersome and unfair "stock relief." If the Government, the CBI, the Stock Exchange and the Accounting profession seriously want to get CCA off the ground, the Corporation Tax system will have to be realigned to take account of CCA.

From the Chancellor's Budget point of view I see little difference between 100 per cent capital expenditure allowances and "stock relief" on the one hand, and CCA depreciation and LIFO stock valuation on the other. From British industry's point of view profit reporting and tax assessment would come closer into line—and the message of real profitability decline in the last decade will be clear for everyone to see.

M. J. G. Henderson, Lead Industries Group, 14, Gresham Street, EC2

FOR SALE BY WORLD WIDE TENDER.



BELCONNEN MALL SHOPPING COMPLEX. CANBERRA, AUSTRALIA.

The Commonwealth of Australia, through Marketing Agents Richard Ellis, invites world wide tenders for the sale of Belconnen Mall—a spectacular shopping centre complex, situated in Canberra, Australia's national capital.

Belconnen Mall stands on a large 6.967 hectare site, only 11 kilometres from the heart of Canberra City. Opened in February 1978, it offers a wide variety of stores and facilities to the people of Canberra—a population of approximately 238,000.

The complex itself comprises over 55,000 square metres of air-conditioned retail space and includes five major stores, two variety stores, 131 specialty shops, 31 service/professional outlets,

child-minding centre, administration office and a 3-bedroom caretaker's flat. Major tenants include Myer, Coles, Woolworths and J.B. Young.

Leading national specialty tenants include Sussan, Kates, Sportsgirl, Mark Foy, Angus & Coote and Edmonds.

Service tenants include ANZ Bank, Bank of NSW, National Bank, Telecom, OPSM.

This spectacular shopping complex is now available for sale by world wide tender,

offering a rare and profitable investment opportunity in Australia's Capital City.

Tenders for the purchase of Belconnen Mall close on 21st October, 1982.

Brochures containing further details are available to all serious enquiries, by contacting: Richard Ellis, 64 Cornhill, London EC3V 3PS, England. Telephone: 01-283 3090. Telex: 887732

Richard Ellis

Richard Ellis (NSW) Pty Ltd 60 Margaret Street, Sydney, Australia.

U.S.\$10,000,000

Floating Rate U.S. Dollar Negotiable
Certificates of Deposit, Due 9th August 1984THE SAITAMA BANK, LTD.
LONDON

In accordance with the provisions of the Certificate, notice is hereby given that for the six months interest period from 9th August, 1982 to 9th February, 1983, the Certificate will carry an interest rate of 13 1/2% per annum. The relevant interest payment date will be 9th February, 1983.

Merrill Lynch International Bank Limited
Agent Bank

Companies and Markets

British Am.
& General
up slightly

ATTRIBUTABLE earnings at British American & General Trust were a little higher at \$550,000, compared with \$534,000, for the six months to June 30, 1982.

The interim dividend will be 1p net against 0.925p last time, but the company says the increase is intended to reduce disparity and should not be taken as an indication of the rate of increase in the total for the year.

Earnings per 25p share are stated at 1.29p against 1.26p and net asset value at 67.8p compared with 74p, or 67.6p (73.3p) fully diluted.

UK COMPANY NEWS

CHARLES BATCHELOR ON AN LBI SUCCESS

How unexpected tactics can
clinch a take-over battle

IN THE battle of wits between a company making a contested take-over bid and its unwilling prey the merchant banks which act as advisers are constantly looking for the unexpected tactic.

Lloyds Bank International (LBI), adviser to the Manchester vehicle hire company, Lookers, believes its client's successful £3.8m cash bid for Liverpool rival Braid broke new ground.

At a crucial stage of the bid the bank took the gamble of advising Braid's shareholders to withdraw their acceptances and sell their shares in the market.

The bid was small in City terms it could contain lessons for other companies, LBI feels.

The bank's relatively young corporate finance department is delighted that its handling of the Lookers' bid succeeded despite the initial opposition of shareholders owning a large block of Braid's shares.

The Braid family and directors, who held nearly 10 per cent of their company's equity, secured the support of their largest shareholder, Avondene Securities, with its 29.9 per cent holding in the opening stages of the battle.

But in the closing minutes of the offer period Avondene, a subsidiary of the finance house North West Securities, itself part of the Bank of Scotland group, switched allegiance and came out in favour of the bid.

This took support for the offer from just over 45 per cent to a comfortable 75.8 per cent.

Prior to this move Mr David Anslow, one of the two-man/ woman team at LBI, admitted that he had resigned himself to accepting that Lookers would gain only a large minority holding in Braid.

It looked as though LBI and Lookers would have to try again after the 12-month pause required by the City code on take-overs and mergers.

"We broke new ground in a number of ways," says Mr Richard Fortin, a director at LBI.

Mr Jack Pryde, one of the LBI team involved in the bid, explains what he calls a "nail-biting" sequence of events.

"Lookers already had a 31 per cent holding in Braid before we launched it but by the first closing date we only had acceptances for holdings of 6.8 per cent. We had to do something drastic."

Lookers lifted the value of its offer by 8p to 88p—increasing the total valuation of Braid by £480,000 to £3.8m—but this pro-

duced only a small increase in its holdings to 28 per cent and had no effect on the offer.

"We tried to get the agreement of the Braid directors and were ready to increase our offer to 60p but they refused."

By July 7 Lookers had raised its holdings to 28 per cent and had acceptances from a further 7.8 per cent. But with 40 per cent of the shares ranged against it there was every prospect that the bid would fail and the acceptances would lapse.

It was at this point that LBI advised shareholders to withdraw their acceptances and sell their shares in the market. The LBI team can recall no case of this having been done in a bid where the bidder still had a chance, however small, of winning.

This way Lookers could pick up the shares offered in the market and shareholders would get near the offer price, though they would have to pay dealing fees.

"We checked with brokers and jobbers that there was no one else in the market," says Mr Pryde. "In the early stages we thought the Bank of Scotland itself might bid but any other contender would have come out before this stage of the bid."

By day 58—bids may normally only run for 60 days if no competing offer has been made—Lookers held 43 per cent of Braid's shares.

Acceptances, which at one stage had stood at 7.8 per cent, had fallen to 2.5 per cent, with Lookers convinced that it had picked up the withdrawals in the market.

But even with 45.5 per cent (2.5 per cent of which would have lapsed if the bid failed) Lookers still did not have control and the 40 per cent block of Avondene and Braid family and

directors was still holding out.

But at 3.35pm—five minutes before the offer closed on July 28—acceptances came in for a further 29.9 per cent of the shares. Avondene had changed its mind.

Mr Pryde puts Avondene's late decision down to the fact that most of the small shareholders appeared to have accepted the offer and that only a very restricted market would exist for the Braid shares, given Lookers' large minority holding.

Mr Michael Stanning of Samuel Montagu, which advised Braid, is not convinced however, that LBI's tactics were that effective.

"The offer went the full 60 days," he says. "It is difficult to tell the story of a company (Braid) which is in the process of turning round from losses to profits."

"We thought we were very successful in convincing people, otherwise they would not have held out to the last day."

Mr Raymond Hazlehurst, managing director of North West Securities, Avondene's direct parent, says: "I don't believe that you want to prolong the agony when someone has put up almost 45 per cent in a company."

Had Lookers not advised shareholders to withdraw their acceptances and bought shares in the market, it would have gained a holding of more than 40 per cent, which North West Securities says was "crucial" in its decision to switch allegiance.

Initially, while Braid was a customer of Lloyds' Lookers was not. LBI says this proves the independence of the merchant banking arms of the big clearing banks. This will be little comfort for Braid.

BOARD MEETINGS

Company	Final: Property Security Investment Trust	Future Dates
Associated	Aug 23	Aug 23
Associated	Aug 23	Aug 23
Associated	Aug 23	Aug 23
Associated	Aug 23	Aug 23
Associated	Aug 23	Aug 23
Associated	Aug 23	Aug 23
Associated	Aug 23	Aug 23
Associated	Aug 23	Aug 23
Associated	Aug 23	Aug 23
Associated	Aug 23	Aug 23

Glasgow Stockholders unchanged

NET REVENUE before tax of Glasgow Stockholders Trust for the six months to the end of June was almost unchanged at £471,074 compared with £471,588.

Directors expect to recommend a total dividend of not less than 2.4p for the year, having paid an interim of 1p (0.95p). A total of 3.35p was paid last year.

Net sheet value per 25p share is given as 97p compared with 111p and net assets available were £21.59m (£24.55m).

From the higher gross revenue of £725,587 (£671,871), management expected to pay £27,061 (£27,357), debenture interest

£11,776 (same) and loan interest £155,976 (£141,253). Tax took £156,500 (£167,982) and the preference dividend took £7,350 (same), leaving earnings of

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Barclays Bank International
Limited and its subsidiaries
Results

for the six months ended 30th June 1982

The Directors of Barclays Bank International Limited report the following unaudited group results for the six months ended 30th June 1982.	Half Year ended 30.6.82	Half Year ended 31.12.81	Half Year ended 30.6.81
	£m	£m	£m

Group Profit	63.7	129.0	113.5
Less: Interest on Loan Capital	24.5	25.0	19.8

Profit before taxation and extraordinary item	39.2	104.0	93.7
Taxation	9.2	37.7	38.3

Profit after taxation	30.0	66.3	55.4
Profit attributable to outside shareholders of subsidiaries	16.5	18.7	10.7

Profit before extraordinary item	13.5	47.6	44.7
Extraordinary item: Special levy on UK banking deposits	-	-	2.6

Profit attributable to the members of the Bank	13.5	47.6	42.1
Interim Dividend	0.1	0.2	0.3

Profit retained	13.4	47.4	41.8
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Notes:
1. The Bank is a wholly owned subsidiary of Barclays Bank PLC but has its own listed unsecured loan capital.
2. The accounting policies are as explained in note 1 on page 9 of the 1981 annual accounts.
3. Group profit includes share of profits of associated companies £17.5m (December 1981 £15.5m; June 1981 £12.5m).

BASE LENDING RATES

A.B.N. Bank	11 1/2%	Grindlays Bank	11 1/2%
Allied Irish Bank	11 1/2%	■ Guinness Mahon	11 1/2%
Amro Bank	11 1/2%	■ Siam Bank	11 1/2%
Bank of America	11 1/2%	■ Hambros Bank	11 1/2%
Bank of Australia	11 1/2%	■ Hargreave Secs. Ltd.	11 1/2%
Bank of Canada	11 1/2%	■ Heritable & Gen. Trust	11 1/2%
Bank of China	11 1/2%	■ Hill Samuel	11 1/2%
Bank of Hong Kong	11 1/2%	■ C. Moore & Co.	11 1/2%
Bank of India	11 1/2%	■ Hongkong & Shanghai	11 1/2%
Bank of Japan	11 1/2%	■ Kingstons Trust Ltd.	11 1/2%
Bank of Korea	11 1/2%	■ Knowles & Co. Ltd.	11 1/2%
Bank of London	11 1/2%	■ Lloyds Bank	11 1/2%
Bank of Mexico	11 1/2%	■ Mallinhaln Limited	11 1/2%
Bank of New York	11 1/2%	■ Edward Manson & Co.	11 1/2%
Bank of Persia	11 1/2%	■ Midland Bank	11 1/2%
Bank of Portugal	11 1/2%	■ Samuel Montagu	11 1/2%
Bank of Rangoon	11 1/2%	■ Morgan Grenfell	11 1/2%
Bank of Russia	11 1/2%	■ National Westminster	11 1/2%
Bank of Siam	11 1/2%	■ Norwich General Trust	11 1/2%
Bank of Spain	11 1/2%	■ P. S. Nelson & Co.	11 1/2%
Bank of Sweden	11 1/2%	■ Roxburgh & Co.	11 1/2%
Bank of Switzerland	11 1/2%	■ Slavenburg's Bank	11 1/2%
Bank of Taiwan	11 1/2%	■ Standard Chartered	11 1/2%
Bank of Thailand	11 1/2%	■ Trade Dev. Bank	11 1/2%
Bank of Tokyo	11 1/2%	■ Trustee Savings Bank	11 1/2%
Bank of Union	11 1/2%	■ T.C.B.	11 1/2%
Bank of Vietnam	11 1/2%	■ United Bank of Kuwait	11 1/2%
Bank of Yugoslavia	11 1/2%	■ Volkas Int'l. Ltd.	11 1/2%
Bank of Zaire	11 1/2%	■ Whiteway Laidlaw	11 1/2%
Bank of Zimbabwe	11 1/2%	■ Williams & Glyn's	11 1/2%
Bank of the Middle East	11 1/2%	■ Wintour Secs. Ltd.	11 1/2%
Bank of the Pacific	11 1/2%	■ Yorkshire Bank	11 1/2%
Bank of the South	11 1/2%	■ Members of the Accepting Houses Committee	11 1/2%
Bank of the West	11 1/2%	7-day deposits 8.5%, 1 month 9.5%, 3 months 10.5%, 6 months 11.5%, 12 months 12.5%	11 1/2%
Beneficial Trust Ltd.	12 1/2%	† 7-day deposits on sums of: under £10,000 8.5%, £10,000 up to £25,000 9.5%, £25,000 up to £50,000 10.5%, £50,000 up to £100,000 11.5%, £100,000 up to £250,000 12.5%, £250,000 up to £500,000 13.5%, £500,000 up to £1,000,000 14.5%, £1,000,000 up to £2,500,000 15.5%, £2,500,000 up to £5,000,000 16.5%, £5,000,000 up to £10,000,000 17.5%, £10,000,000 up to £25,000,000 18.5%, £25,000,000 up to £50,000,000 19.5%, £50,000,000 up to £100,000,000 20.5%, £100,000,000 up to £250,000,000 21.5%, £250,000,000 up to £500,000,000 22.5%, £500,000,000 up to £1,000,000,000 23.5%, £1,000,000,000 up to £2,500,000,000 24.5%, £2,500,000,000 up to £5,000,000,000 25.5%, £5,000,000,000 up to £10,000,000,000 26.5%, £10,000,000,000 up to £25,000,000,000 27.5%, £25,000,000,000 up to £50,000,000,000 28.5%, £50,000,000,000 up to £100,000,000,000 29.5%, £100,000,000,000 up to £250,000,000,000 30.5%, £250,000,000,000 up to £500,000,000,000 31.5%, £500,000,000,000 up to £1,000,000,000,000 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U.S. BANK CDS

Continental Illinois shakes up 'the run'

CONTINENTAL ILLINOIS' decision to drop out of the top quality certificate of deposit market because of its troubles with the failed Penn Square Bank has focused attention on this relatively obscure but important bank funding source which was plunged into turmoil by recent events.

To boost their deposits, all major U.S. banks take in large amounts of wholesale funds in exchange for certificates which denote the amount of the deposit, its maturity and the interest payable. A typical CD might be for \$1m with a maturity up to six months. Most CDs are held by the depositors. But billions of dollars worth are also traded in active secondary markets on both Wall Street and the Euromarkets.

The yield on CDs can vary greatly depending on the quality of the issuing bank. But a convention has grown up that CDs from the 10 largest banks in the U.S. enjoy a special status, partly because only they are eligible for delivery under CD futures contracts. These are traded in an exclusive secondary market nicknamed "the run" which consists of the banks themselves and some two dozen top Wall Street dealers. The key feature of the market is that CDs are traded on a "no-name" basis: since all the banks are considered to be top quality, their paper is interchangeable, and dealers must be ready to accept whatever bank's paper is offered to them in a trade.

The run works well so long as all the top 10 banks live up to their name. But the moment one of them gets into trouble, the whole market is liable to weaken because traders discount the possibility that they will be landed with the troubled bank's paper.

David Lascelles

INTERNATIONAL BONDS

Sudden loss of appeal for warrants

"WE DID not realise the panic content of warrants. The underwriters and investors just stopped buying."

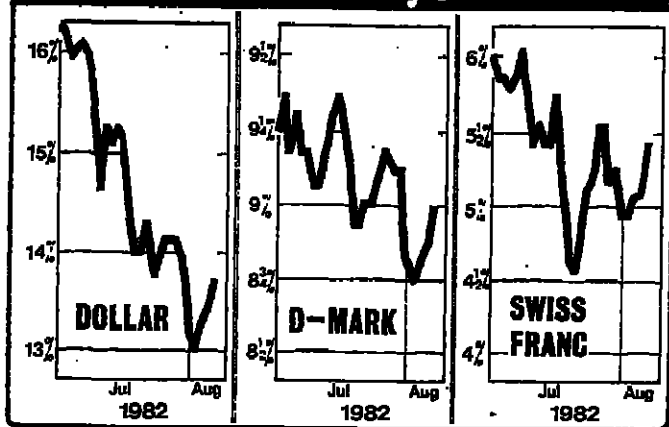
This was the lament of one new issue manager who admitted to losing "a lot of money" as the Eurodollar bond market's sentiment turned sharply against the state of new warrants—options to buy bonds later at a fixed coupon.

Warrants are sometimes the darling of the market—an innovative method for investors to speculate on a future decline in interest rate levels. They work in the following manner: the investor buys a warrant which is exercisable in a set period, say, two or three years. The coupon is set and the warrant price is a negligible amount, say \$20 or \$30 for each option to purchase a \$1,000 nominal Eurobond. If interest rates decline, below the coupon specified with the warrant, then the overall purchase price of the bond—the \$1,000 plus the warrant price of \$20 or \$30—may provide an attractive yield above prevailing rates.

But last week saw heavy selling and falling prices on a number of new warrants which came with bonds for Du Pont, Xerox, Manufacturers Hanover Trust and other issuers.

The problems developed in the middle of last week after the launch of six new bond-plus-warrant deals. When IBM came to Europe to sell \$100m of 13½ per cent bonds 10 days ago, it also offered warrants priced at \$25 to purchase 13 per cent 1987 paper. These did well, trading above \$40 at one stage before settling at a more modest

6 month Euro-currency interest rates



premium price of \$31 on Friday.

But IBM spawned imitators of lesser quality. New issue managers continued, however, to price the warrants at quality prices. In the wake of \$2.8bn of new Eurodollar paper over the past fortnight the market became increasingly selective and sluggish and warrants lost their appeal. Prices came tumbling down below their initial levels.

Du Pont's \$38 warrants, for example, to buy 13½ per cent 1989 paper fell to \$28 last week and many Eurobond houses dumped the warrants in a panic, thus losing sizeable amounts of money.

Mr Hansjoerg Rudloff, deputy chairman of Credit Suisse First Boston, criticised on Friday managers who priced warrants too high and then saw them sold at knock-down prices. "The

market with cheap warrants, however, the damage was already done.

Elsewhere in the Eurodollar market, the heavy load of new issues led to some indigestion. The warrant upset also affected the accompanying bonds. Du Pont's for example, traded at a discount of more than 2 per cent and sold slowly.

Eurocurrency deposit rates nudged upward as well and this made dealers nervous. The market was still making money by holding onto bond inventories at relatively cheap overnight financing costs—the phenomenon known as positive carry—but some inventories seemed rather heavy as the week closed, according to dealers.

Among last week's issues was a successful \$300m 14½ per cent 1989 Eurobond for Deutsche Bank, guaranteed by Deutsche Bank Luxembourg and led by Deutsche, CSFB and Merrill Lynch.

The issue involves an interest-rate swap under which Bank of America, Credit Suisse and Merrill Lynch, as counterparties, pay the 14½ per cent Deutsche Bank coupon. In return, Deutsche takes over floating rate debt and ends up paying below the London interbank offered rate.

The swap counter-parties either desire a fixed 14½ per cent rate or manage to pass on the funds with an additional spread to their clients. Deutsche Bank meanwhile, refinances floating rate credits granted by its Luxembourg subsidiary.

Alan Friedman

CREDITS

Mexico takes 'only dignified alternative'

"THE ONLY dignified alternative in this difficult moment," with these words Sr Jesus Silva Herzog, Mexico's finance minister, spoke of the decision to institute a two-tier foreign exchange system last week.

The result of Mexico's decision came swiftly—a rapid 30 per cent depreciation of the peso against the U.S. dollar. The peso's fall was the second this year for a total depreciation of more than 60 per cent.

Limitations of foreign credit available to Mexico had led to unsustainable pressures on the peso, Sr Silva Herzog said.

In London and New York, as the dust began to settle, bankers reckoned the Mexican move would accelerate the rate at which spreads on its foreign currency loans will rise. "The credit image of Mexico is not going to improve as a result of this two-tier package," said one expert on Mexican finance.

What will Mexico's deepening financial problems mean in the Eurocredit market? The consensus view appears to be that paying higher spreads on Mexican credits is no longer the only answer—bankers want reassurances that the situation will stabilise.

In Venezuela meanwhile, Bankers Trust said on Friday it did not have the mandate for a \$500m five-year credit for Banco Industrial de Venezuela. BIV is reluctant to pay more than 1 per cent over Libor.

Bids on the \$500m credit for EDELCA and CADAFE, the state electricity utilities, are said to contain spreads rang-

ing from 2 to 14 per cent over seven years. The mandate should be awarded within a fortnight.

Corporation Venezolana de Fomento (CVF), the development agency, has arranged a \$100m one-year credit at 4 per cent over Libor through Rosenthal International, the Long-Term Credit Bank of Japan, Bank of Nova Scotia and eight other banks.

Ecuador is arranging a \$200m one-year credit through E. F. Hutton, Dai-ichi Kangyo and LITCB. Spreads are 4 per cent over Libor for banks taking \$1m to \$4m, 4 per cent for \$5m to \$9m and 4 per cent for \$10m or higher.

In Eastern Europe, Yugoslavia is due to reply to a French proposal through Paribas for a \$150m credit. French banks want to link the deal to the export of French goods to Yugoslavia, but Belgrade is not very keen to agree. The Citicorp - co-ordinated \$200m credit for Yugoslavia is still in the pipeline. U.S. banks are likely to take the lion's share, with Japanese banks possibly chipping in \$50m.

Today sees the signing of Hungary's \$260m club loan led by Manufacturers Hanover Trust and tomorrow marks the latest stage of formal Polish debt rescheduling talks in Warsaw. Western bankers are hoping to resist Poland's demand that more than 50 per cent of its 1982 interest payments of \$900m are returned immediately as fresh trade credits.

A. F.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Telmex	50	1997	15	18½	100	CSFB, Merrill Lynch	18.250
World Bank	300	1987	5	14½	100	Goldman Sachs	14.625
Saskatchewan	150	1992	10	15	100	CSFB	15.000
Pac. Gas and Electric	60	1990	8	14½	100	CSFB	15.375
Am. Natural Resources	50	1989	7	15½	100	Goldman Sachs	15.375
First Chicago Nat. Bk.	100	1994	12	5½	100	Salomon Bros.	—
Du Pont	200	1989	7	14½	100	Morgan Gty., CSFB, Morgan Stanley	14.125
Sperry Corp.	100	1989	7	15	100	Blych Eastman Paine Webber	15.000
Xerox	100	1987	5	14	100	Salomon Bros., Goldman Sachs	14.000
Deutsche Bank	300	1989	7	14½	100	Deutsche Bank, CSFB, Merrill Lynch	14.250
Manufacturers Hanover	100	1986	4	13½	100	Goldman Sachs	13.500
Sch. C. Gas	50	1989	7	15	100	Morgan Stanley	15.000
Swiss Francs							
Daikin Kogyo	50	1987	—	6½	100	CS	6.875
Sankyo Seiki	20	1987	—	6½	100	SBC	6.250
Minebea Co.	100	1992	—	6½	100	Bank Hofmann	6.500
Suntimate Metal	100	1992	—	6½	100	SBC	6.680
Fairchild Ind.	60	1987	—	6½	100	UBS	6.875
Aichi Machine Ind.	20	1987	—	7½	100	SBC	7.250
Asian Devt. Bank	100	1992	—	—	100	SBC	7.125
STERLING							
Prov. of Quebec	30	1989	7	14½	100	SG Warburg	14.500
Guilbert	100	1992	8	11	—	ABN, Amro Bank	—
Asian Devt. Bank	100	1987	5	10	100	Amro Bank	10.000
EIB	75	1987	—	—	—	—	—

* Not yet priced. † Final terms. ** Placement. † Floating rate note. • Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ‡ With warrants. Note: Yields are calculated on an AIBD basis.

This advertisement complies with the requirements of the Council of The Stock Exchange.

U.S. \$100,000,000

First Chicago Overseas Finance N.V.

(Incorporated with limited liability in the Netherlands Antilles)

Guaranteed Floating Rate Subordinated Notes Due 1994

Guaranteed on a subordinated basis as to payment of principal and interest by

First Chicago Corporation

(Incorporated in Delaware)

Salomon Brothers International

S.G. Warburg & Co. Ltd.

First Chicago Limited

Banque Nationale de Paris

Bank of Tokyo International

Banque Paribas

County Bank Limited

Deutsche Bank Aktiengesellschaft

Swiss Bank Corporation International Limited

The Notes, issued at 100 per cent, have been admitted to the Official List by the Council of The Stock Exchange subject only to the issue of the temporary global Note.

Interest will be payable on interest payment dates falling in February, May, August, and November; the first payment being made in November 1982.

Particulars of the Notes and the Issuer are available in the Extel Statistical Service and copies may be obtained during normal business hours up to and including August 23, 1982 from:

Cazenove & Co.
12, Tokenhouse Yard
London EC2R 7AN

August 9, 1982

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or to purchase, any securities.

\$100,000,000

GMAC Overseas Finance Corporation N.V.

(Incorporated in the Netherlands Antilles)

14½% NOTES DUE AUGUST 19, 1988

Payment of principal and interest unconditionally guaranteed by

GENERAL MOTORS ACCEPTANCE CORPORATION

(Incorporated in the State of New York, U.S.A.)

The following have agreed to subscribe for the Notes:

SOCIÉTÉ GÉNÉRALE

ALGEMENE BANK NEDERLAND N.V.

BANQUE INDOSUEZ

BERLINER HANDELS- UND FRANKFURTER BANK

CRÉDIT LYONNAIS

DREXEL BURNHAM LAMBERT
IncorporatedLEHMAN BROTHERS KUHN LOEB
International, Inc.

The Notes, in the denomination of U.S. \$1,000 issued at 99½ per cent., have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary Note. Interest is payable annually in arrears on August 19th, commencing on August 19th, 1983.

Particulars relating to the Notes are available in the Extel Statistical Service and may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including August 24th, 1982 from the brokers to the issue:

Cazenove & Co.,
12, Tokenhouse Yard,
London
EC2R 7AN.

August 9th, 1982

Companies and Markets

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Euphoria turns out to be short-lived

WALL STREET'S spell of euphoria turns out to have been short-lived. After rejoicing briefly over the recent sharp fall in interest rates, the markets succumbed to more gloom and doom again last week as trading resumed.

The euphoria was particularly marked last Friday when bond prices dropped sharply and the money supply figures showed a slightly bigger than expected increase. Only a week ago, Wall Street was cheering a cut in both the discount rate and the prime rate.

The causes of the renewed gloom were all too familiar: forecasts of Treasury debt and nagging doubts over just how lenient a monetary policy the Federal Reserve is pursuing. However, the period ahead

U.S. INTEREST RATES (%)

	Week to Week	Aug. 5 July 30
Fed. Funds weekly	10.75	11.40
3-month Treas. bills	8.80	10.17
3-month cd.	11.40	11.90
30-year Treas. bonds	13.25	13.44
AA utility	15.25	15.38
AA industrial	15.00	15.25

Source: Salomon Bros. (estimates). In the week to July 28 M-1 rose \$500m to \$451.4bn.

should also answer a key question: Are interest rates merely hiccuping on what is still basically a downward trend? Or have they gone as low as they are likely to go for the time being?

The euphoria last week was the Treasury's \$10bn third quarter refunding which not only put pressure on the markets but served as a reminder of the Government's massive financing needs. Although Wall Street managed to absorb this debt, retail interest was reportedly thin, leaving dealers holding the bulk of the new paper.

The refunding, first stage, consisted of \$6bn of three-year notes which went for a yield of 13.17 per cent. This was significantly lower than the yields achieved at the previous refunding in May and evidently not high enough to attract strong investor interest. There was a similar story with the \$5bn of 10-year notes which yielded 13.89 per cent. By the end of the week, these yields had risen slightly.

At the same time the Fed

entered the market to drain reserves on two consecutive days, effectively stabilising the weekly Fed funds rate at a level just above the 11 per cent discount rate. The Fed's intervention on Tuesday marked a watershed and interest rates have been stable to slightly firmer in the aftermath. This made dealers nervous about their carrying costs and prompted speculation that the Fed was trying to signal that the decline in interest rates had gone far enough for the time being.

As a result, yields in the bond market started to climb towards the end of the week. The Treasury long bond for example, was yielding 13.48 per cent on Friday compared to 13.13 per cent on Monday. This does not augur well for trading this week.

Friday's money supply figures did nothing to improve the market's tone because although the \$900m increase was well within the Fed's targets, some Wall Street economists had been hoping for a smaller increase or even a slight further decline. The rise was particularly bothersome because analysts are predicting that this week's money supply figures are likely to show a substantial increase, perhaps \$2bn to \$3bn for seasonal reasons and that will push M1 close to or over the top of the Fed's target range.

These developments were ironic given that last week witnessed a major about-turn by the Reagan Administration on the question of tax increases. The White House threw its weight behind a measure to increase taxes by \$90bn over the next three years. But clearly Wall Street does not believe this will come to anything.

The Treasury refunding hogged the market's attention and squeezed out potential corporate borrowers. Only \$265m of corporate bonds were sold. The calendar this week also looks thin. General Motors is down for a \$200m issue of three-year notes, part of the car manufacturer's massive multi-billion dollar financing programme for this year.

Further indications of the state of the U.S. economy will come this Friday with the producer price index which is expected to show a large gain, and the industrial production index for July.

Paul Taylor

Nuovo Banco Ambrosiano opens amid controversy

BY RUPERT CORNWELL IN ROME

AFTER A weekend of frantic activity, Nuovo Banco Ambrosiano opens its doors for business "as usual" today, less than 72 hours after the old Banco Ambrosiano of the late Sig. Roberto Calvi was placed in liquidation with net liabilities that could reach L750bn (\$535m).

Officials sent in by the seven banks participating in the L800bn capital of the new Ambrosiano have spent Saturday and Sunday in the 107 branches of its predecessor, readying the books for today's fresh start. A massive advertising campaign is also being launched to reassure depositors. The starting capital may be raised later to up to L900bn, an increase which would embrace plans to allow some 100,000 shareholders of the old Banco Ambrosiano to subscribe to privileged shares in its successor.

In the meantime the Bank of Italy is emphasising that the new bank will guarantee the

interest of deposits both Italian and foreign of the former Milan parent—even though it is not taking over Banco Ambrosiano Holding of Luxembourg, and its other foreign associates.

Controversy is already starting over whether the liquidation of Banco Ambrosiano SpA was the correct course to follow. But Sig. Nino Andreatta, the Treasury Minister, declared yesterday that there had been no alternative.

To have reconstituted the capital of the old bank would have meant shareholders putting up between L10,000 and L15,000 for each of the 50m shares in its former L500bn capital—equivalent to a total of between L300bn and L750bn.

Had shareholders been asked to cover debts of the whole group, including liability to foreign affiliates, the total could have been between L40,000 and L50,000 per share, for a total of between L2,000bn and L2,500bn.

Meanwhile, Banca Unione di

Credito di Switzerland has petitioned the Bahamas Supreme Court for liquidation of Banco Ambrosiano Overseas, following the Nassau bank's failure to meet payments of \$8.5m plus interest due in July. Nicky Kelly reports from Nassau.

Ambrosiano Overseas, one of the offshore subsidiaries caught up in the financial difficulties of Italy's Banco Ambrosiano group, advised Banco Unione on July 9 that all payments to third parties had been deferred until further notice.

Ambrosiano Overseas ran into problems when its Luxembourg parent, Banco Ambrosiano Holding, defaulted on some \$150m it borrowed from the Bahamian operation and a further \$400m borrowed from banks worldwide.

The Bahamas central bank suspended the licence of the Nassau bank on July 16 for 30 days after it became clear that Banco Ambrosiano could not guarantee the borrowings of its offshore subsidiaries.

Gulf move hits Cities Service

By Paul Betts in New York

WALL STREET'S attention will be focused today on Cities Service's share price with many leading institutions and investment houses waiting with apprehension to see how badly it will be hit by Gulf Oil's decision to drop its \$5bn bid.

Gulf's decision on Friday to withdraw its \$5.3 billion cash and securities bid took the market by surprise.

Gulf, the country's sixth largest oil company, claimed its decision on opposition to the merger by the Federal Trade Commission.

Many Wall Street investment houses and risk arbitrageurs are expected to suffer severe losses after buying the shares at between \$40 and \$60.

On Friday Cities Service's shares dropped nearly \$7 to \$37, before Gulf's announcement. The stock is now expected to be battered further with some brokers forecasting a decline to a range of between \$34 and \$22 a share.

New Treasury fund with low initial cost from Merrill Lynch

BY PAUL TAYLOR IN NEW YORK

MERRILL LYNCH, the Wall Street investment firm, is launching a novel deep discounted zero coupon notes today in the U.S. and Europe with a total face value of \$2.56bn.

The new issue, called "Tigris"—Treasury Investment Growth Receipts—will be sold to institutional and private investors in two forms, serial and callable.

Mr Joseph Wilson, managing director of Merrill Lynch's White Weld capital markets group, said the new issues would provide a predetermined income for an initial low cost.

Under the system the investment firm will buy \$500m of U.S. Treasury long bonds and deposit them with Manufacturers Hanover Bank.

It will then issue Tigris deposit receipts against the interest and principal due. Of the \$2.56bn

in Tigris which Merrill Lynch plans to sell, \$1.72bn will be in serial Tigris with 49 maturity dates matching interest payments on the Treasury long bond between this November and November 2006.

The remaining \$850m will be sold in the form of callable Tigris reflecting the fact that the Treasury long bond is also callable in the last five years. The purchasers will be entitled to receive a semi-annual interest payment commencing in May 2007 until November 2011 on the principal portion which he purchases.

The two issues which are expected to be priced some time this week to yield between 1 and 1 1/2 points below market yields, depending upon maturities. On this basis the longer maturity Tigris would yield about 12 1/2 per cent based upon current yields.

Sime Darby management changes

THE SIME DARBY GROUP

has made a number of senior management appointments. Enck Halim Dahlan becomes regional director Malaysia. Enck Halim, who joined the Sime Darby Group in 1978 as the development director for the Western international division in London, in his new role will continue to have chief executive responsibility for Pemas-Sime Darby. He will also join the board of Sime Darby Berhad and assume responsibility for Sime Darby Group activities in Thailand. Mr F. C. Whiting, currently the executive vice-president of Sime Darby International Fire Company (Sidera) has been appointed regional director, Philippines. He was previously with the Monsanto Company in Missouri. Enck Halim Merican has been made Sime Darby Group treasurer. He joined the Sime Darby Group as assistant group treasurer in 1978 and became group finance manager in August 1980. Mr J. W. Y. Yu has been appointed

group manager insurance services. He will continue as managing director of United Malaysian Insurance Bhd, the oldest locally-controlled insurance company in Malaysia and a subsidiary of the Sime Darby Group.

PHILIPS DODGE CORPORATION has made the following promotions: Mr Richard T. Bock as vice chairman responsible for the company's mining, energy and exploration activities, has been elected president from September 1. Mr George S. Manroe, chairman and president, will continue as chairman and chief executive officer. The company has appointed the following senior vice presidents from September 10: Mr C. Robert Durham, Mr Richard W. Pendleton, Jr., and Mr Douglas C. Yearley. Mr Durham is a vice president and chairman of Phelps Dodge International Corp., a subsidiary, which manages the company's foreign manufacturing interests. Mr Pendleton is a vice president and chief legal officer of the company.

Mr Bobby R. Inman, a retired U.S. Navy Admiral, has been elected to the board of WESTERN UNION CORPORATION and its principal subsidiary, THE WESTERN UNION TELEGRAPH COMPANY. Formerly the deputy director of

Central Intelligence, Admiral retired from the Navy earlier this month after 30 years service.

Mr George C. Greer has been elected vice president—organisation development and administration of H. J. HEINZ COMPANY, Pittsburgh. He joined Heinz as an attorney in the world head-

quarters law department in 1969. He later served in marketing management positions with H. J. Heinz Company Ltd, the UK company's subsidiary. He was named director-organisation develop-

ment at the corporate level in 1972 and held that position at the time of his promotion. In a move to streamline its Caribbean and Central America, the U.S.-based SEA-LAND SERVICE INC. has formed a new operating arm—the Americas division, previously part of the company's Atlantic Group. The company is now structured into three primary areas of operations: the Americas, Pacific and Americas. Mr David J. Toland, named Americas Division executive vice president, will head the new operating arm. He was executive vice president, human resources, Sea-Land Industries, Inc.

Mr David L. Bowler, CONOCO (UK)'s Northern operations manager, has been appointed vice president and general manager of operations with the Dubai Petroleum Company, a wholly-owned Conoco subsidiary.

Mr Harry E. Parr, Jr., finance and chief administrative officer, Mr Walter Cronin, security products group, Mr Robert W. Mahoney, electronic products group. Elected group

vice president are: Mr Robert P. Barone, automatic banking systems; Mr Louis V. Beckins, manufacturing; Mr Joseph K. Caron, bank products; Mr Robert M. York, installation and technical services. The above will also be members of the corporation's planning and strategy committee.

Mr William Hobbs, corporate vice-president and chief financial

officer of KAISER ALUMINUM AND CHEMICAL CORPORATION, will assume new responsibilities as senior vice-president and assistant to the chairman. Succeeding Mr Hobbs as chief

financial officer is Mr Edward M. Quinlan. Mr Quinlan has also been elected a corporate vice president.

AIRBUS INDUSTRIE of North America (AINA) has named Mr Alan S. Boyd its new chairman and president. Mr Boyd was the first U.S. Secretary of Transportation and chairman of the Civil Aeronautics Board.

Mr Joseph M. Kelly has been elected a senior vice president of INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION. Mr Weidock has also been appointed deputy group executive Europe and executive vice president, operations-ITT Europe, Incorporated. Mr Weidock was executive assistant to the president-ITT Europe. He has also served as president of ITT Africa and the Middle East and before that was director of operations for the ATE group.

Mr Joseph M. Kelly has become co-partner and executive vice-president of CUSTOM AUDIENCE CONSULTANTS (CAC), a Washington-based broadcasting research firm.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chen
Aetna Life 15 06/87	150	100 1/2	103 1/2	-0 1/2
Amex Int. Fin. 15 06/87	75	97 1/2	100 1/2	-0 1/2
Amex O/S 15 06/87	75	97 1/2	100 1/2	-0 1/2
ATT 14 06/87	400	103 1/2	106 1/2	-0 1/2
Baker Int. Fin. 02 02/87	225	28 1/2	27 1/2	-0 1/2
BHP Finance 14 06/87	100	97 1/2	100 1/2	-0 1/2
Bk. Amer. NT SA 12 07/87	200	92 1/2	95 1/2	-0 1/2
Bk. Montreal 14 07/87	100	95 1/2	98 1/2	-0 1/2
Bk. Ind. Suez 15 08/87	100	96 1/2	97 1/2	-0 1/2
British Col. Hyd. 15 04/82	150	101 1/2	101 1/2	0
Burroughs Int. 15 06/88	50	103 1/2	104 1/2	0
Canada 14 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 15 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 16 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 17 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 18 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 19 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 20 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 21 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 22 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 23 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 24 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 25 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 26 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 27 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 28 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 29 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 30 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 31 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 32 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 33 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 34 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 35 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 36 07/87	750	99 1/2	100 1/2	+0 1/2
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Canada 39 07/87	750	99 1/2	100 1/2	+0 1/2
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Canada 202 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 203 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 204 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 205 07/87	750	99 1/2	100 1/2	+0 1/2
Canada 206 07/87	750			

INSURANCE & OVERSEAS MANAGED FUNDS

[illegible]

OIL AND GAS—Continued

MINES—Continued

Miscellaneous						
	Anglo Dominion ..	30	—	—	—	—
	Bus Lines, 10c.	12	30.4	0.55	1.9	6.5
	Colby Res. Corp.	250	—	—	—	—
Feb.	Cons. Murch. 10c.	430	23.12	\$366.4	1.9	3
	13 Explorers Gold ..	3	—	—	—	—
	Highwood Res.	75	—	—	—	—
	Westgate CSI	180	9.77	—	—	—
	R.T.Z.	398	7.6	16.0	2.1	5.6
July	2000000000 5-2000	1962	7.6	96.94	30.0	69.9
	Sabina Inds. CSI ..	12	—	—	—	—
	46Southwest C. 10p.	38	—	—	—	—
	Tam Expln. \$2	255	—	—	—	—

for cash.
 in since increased or resumed.
 re since reduced, posted or deferred.
 re to non-residents on application.
 is or report and/or
 not listed on Stock Exchange and company not subjected to
 degree of regulation as listed securities.
 in order Rule 163(C).
 at time of suspension.
 of dividend after pending suit and/or rights issue cover
 to previous dividend or forecast.
 in aid of reorganization in progress.
 non-transferable.
 insertion reduced first and/or reduced earnings indicated.
 re, dividend not given on summary, assumed for lower interest

allowance for conversion of shares not now ranking for dividends
 (including any for restricted dividends)
 (4) Dividends not now ranking for dividends also rank for dividends at
 its rate. No P/E ratio usually provided.
 (5) Value.
 (6) Applicable to non-convertible shareholders.
 (7) Based on assumption Treasury Bill rates increased until
 1980. (8) Tax free. (9) Figures based on prospectus or other
 statement. (10) Cents. (11) Dividend rate paid or payable on part
 of year based on dividend on full capital. (12) Redemption yield.
 (13) Assumed dividend and yield. (14) Assumed dividend and
 yield. (15) Payment from interest. (16) Cents.
 (17) Trigger the dividend. (18) Right. (19) Based
 on preliminary figures. (20) Dividend and yield exclude a

NOTE: K: Indicated dividend/cost ratios to previous P/E ratio based on latest annual earnings; L: Forecast P/E ratio based on latest annual earnings; D: Dividend/cost ratio in excess of 100; Y: Dividend and yield after prospectus or other official estimates; P: Dividend and yield based on prospectus or other official estimates; N: Dividend and yield based on prospectus or other official estimates; A: Not applied to special payment; M: Net dividend and yield based on prospectus or other official estimates; C: Dividend and yield based on prospectus or other official estimates for 1983-84; B: Assumed dividend and yield after prior and/or rights issue; H: Dividend and yield based on or other official estimates for 1982; K: Figures based on or other official estimates for 1982; M: Dividend and yield based on prospectus or other official estimates for 1983-84; N: Dividend and yield based on prospectus or other official estimates for 1983-84; P: Figures based on prospectus or other official estimates for 1982-83.

REGIONAL AND IRISH STOCKS

50p	440	+10	Net 9% 80/80	197	-3
50p	132p		Fin. 13% 97/02	574p	-4
50p	30	+1	Alliance Gas	86	+3
50p	221		Arnott	229	
50p	90	-3	Carroll (P.L.)	76	
50p	790		Coconate Prods.	50	+2
50p	69	-2	Heaton (Hedge)	150p	
50p	150p		Irish Ropes	34	
50p	217		Isotech	78	
50p	235		J.M.G.	100p	
50p			Unidrive	50p	+2

OPTIONS		
3-month Call Rates		
House of Fraser	15	Unit. Drapery
I.C.T.	24	Vickers
I.C.L.	5	Woodwards
Ladbrokes	15	Property
Legal & Gen.	29	Brit. Land
Leas Service	21	Cap. Commit
Lloyds Bank	42	Land Secs
Lloyds	54	MEPC
Lloyds' Retail		

38	Lucas Inds.	20	Town & City	14
39	"Mass."	12	Trinity Prot.	34
40	Miles & Spoor	22		
41	Midland Bank	9	Mls	
42	"N.Z."	3		
43	Nat. West. Bank	34	Skt. Petroleum	25
44	P. & O. Ltd.	1	Standard Oil	10
45	Phenacy	32	Standard Oil	34
46	Phos. Fertil.	32	Standard Oil	34
47	R. H. M.	63	Standard Oil	34
48	Rank Org. Ord.	20	Standard Oil	34
49	Reed Int'l.	24	Standard Oil	34
50	Reed Int'l.	24	Standard Oil	34
51	Reed Int'l.	24	Standard Oil	34
52	Reed Int'l.	24	Standard Oil	34
53	Reed Int'l.	24	Standard Oil	34
54	Reed Int'l.	24	Standard Oil	34
55	Reed Int'l.	24	Standard Oil	34
56	Reed Int'l.	24	Standard Oil	34
57	Reed Int'l.	24	Standard Oil	34
58	Reed Int'l.	24	Standard Oil	34
59	Reed Int'l.	24	Standard Oil	34
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95	Reed Int'l.	24	Standard Oil	34
96	Reed Int'l.	24	Standard Oil	34
97	Reed Int'l.	24	Standard Oil	34
98	Reed Int'l.	24	Standard Oil	34
99	Reed Int'l.	24	Standard Oil	34
100	Reed Int'l.	24	Standard Oil	34

45	Thorn EMI	45	Courier Cont.	25
25	Trust Houses	11	Comp. Gold	7
15	Turner & Newall	31	Leasica	7
30	Unilever	59	Rob T. Zint	42

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